

STRENGTHENING THE U.S. TIES WITH SOUTHEAST ASIA

HEARING BEFORE THE SUBCOMMITTEE ON ASIA, THE PACIFIC, CENTRAL ASIA, AND NONPROLIFERATION OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTEENTH CONGRESS FIRST SESSION

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STRENGTHENING THE U.S. TIES WITH SOUTHEAST ASIA

Tuesday, September 28, 2021

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA, THE PACIFIC, CENTRAL ASIA,
AND NONPROLIFERATION,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., via Webex, Hon. Ami Bera (chairman of the subcommittee) presiding.

Mr. BERA. Virtual gavel being banged, the Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any point.

And all members will have 5 days to submit statements, extraneous material, and questions for the record, subject to the length limitation in the rules. To insert something into the record, please have your staff email the previously mentioned address or contact full committee staff.

Please keep your video function on at all times, even when you are not recognized by the chair.

Members are responsible for muting and unmuting themselves, and please remember to mute yourself after you finish speaking. Consistent with remote committee proceedings of H. Res. 8, staff will only mute members and witnesses as appropriate when they are not under recognition to eliminate background noise.

I see that we have a quorum and will now recognize myself for opening remarks.

First, I want to thank our witnesses for joining us today on this hearing focused on strengthening U.S. ties with Southeast Asia.

Home to more than 662 million people and with a combined GDP of \$3.2 trillion, the economic promise and strategic importance of Southeast Asia are hard to overstate. I commend the Biden Administration for its continued prioritization of the region and the high-level visits from officials since the Administration came into office just 9 months ago.

And, today, with this hearing, I want to make sure there are no doubts about the U.S. Government's and Congress's continued commitment to our Southeast Asian friends. The region's economic vibrancy, strategic location at the center of the world's maritime commerce, and demographic diversity vitally all make Southeast Asia a place of critical importance for the United States. I look forward to discussing existing areas of cooperation and where we can expand the U.S.-Southeast Asia partnership.

As we hear from many of our allies and partners in Southeast Asia, what makes the region tick is the global commerce that courses through it. But many in the Southeast Asia region face challenges in maintaining economic independence, and, as close friends and partners, we must continue to develop support for Southeast Asian nations in developing diverse sources of investment and export markets so that they can stand up to any economic coercion.

I was one of 28 House Democrats to vote for Trade Promotion Authority in 2015 and supported and continue to support and hold out hope 1 day for U.S. participation in the TPP, or what is now called “CPTPP.”

The United States should continue to lead in the region and think creatively on how to further integrate economically with Southeast Asia. This would include expanded digital infrastructure and connectivity across the region and setting the foundations for digital trade agreements that would harness Southeast Asia’s immense potential.

As a region dominated by the world’s largest ocean, ensuring waterways remain free and open is a critical matter. Some countries seek to undermine maritime sovereignty through bullying and intimidation and by using gray-zone tactics that intentionally blur the line between military and commercial naval activity.

To be clear, there have long been maritime territorial disputes in the South China Sea. But the best way and safest way to resolve those disputes is by ensuring that all countries abide by international laws and norms aimed at resolving them. We must continue to reinforce those norms with our allies and partners.

The United States has worked closely with regional actors to spotlight these challenges. And I particularly commend the Filipino Coast Guard for publishing photos earlier this year that clearly show what the PRC have been up to near Whitsun Reef.

Our subcommittee also did a joint hearing with the House Armed Services Committee’s Seapower Subcommittee on this important issue in April, and I will continue to work with our regional partners to defend the security in this vital region.

The importance of Southeast Asia extends beyond the traditional security challenges and the promise of mutual economic prosperity that have been pillars of the U.S. relationship in the region. There are opportunities for broader cooperation and partnerships between the United States and Southeast Asian countries to address some of the most pressing threats today, including combating climate change, promoting global health security, and increasing supply chain resiliency. And President Biden’s team has clearly seen this, as well, as evidenced by the concrete deliverables from high-level engagements.

Obviously, the partnership between our countries is not without challenges. We do not always see eye-to-eye on every issue. But what unites us, including our shared commitment to promoting a free, open, inclusive, and prosperous Indo-Pacific, is far greater than what separates us.

Just last week, the Senate confirmed Daniel Kritenbrink, another former Ambassador to Vietnam, to be the Assistant Secretary of State for the Bureau of East Asian and Pacific Affairs. This com-

mittee looks forward to working with him to continue deepening U.S. engagement and ties with Southeast Asia. And I am confident the insights that our witnesses will share today will further shed light on opportunities for the United States to do just that.

So, again, I want to thank my good friend, the ranking member, Mr. Chabot, for his partnership and understanding of the importance of the region.

And, with that, let me yield 5 minutes to my friend from Ohio, the ranking member, Representative Steve Chabot.

Mr. CHABOT. Thank you, Chairman Bera, for holding this hearing today. I really appreciate it. And I want to thank the panel, as well, for joining us today.

As the former chair of this subcommittee and the co-chair of the U.S.-Philippines Friendship Caucus, along with my good friend Bobby Scott, as well as the Cambodia Caucus, I always appreciate giving Southeast Asia the time and attention that it deserves.

Mr. Chairman, as those of us who have spent years engaging with the Indo-Pacific know all too well, the relationships we share with this critical region are too often overlooked in the foreign policy chatter inside the Beltway here. This is especially true today, as America has woken up to the reality that we are in a period of great-power competition.

This reality is sharpening some paradoxical challenges to formulating an effective U.S. policy toward the Association of Southeast Asian Nations and its 10 member States.

On the one hand, the United States and like-minded allies and partners are aggressively building an array of new plurilateral groups, like the Quad and the AUKUS, which are essential to mitigate threats to the Indo-Pacific. On the other hand, ASEAN centrality is and will remain a fundamental principle of the U.S.-Indo-Pacific strategy.

A similar difficulty is that ASEAN nations seek relationships that are meaningful in their own right and justifiably resist being made into appendages or pawns of great-power maneuvering. But the most important issues for us to address with our ASEAN partners are those stemming from great-power competition, from trade rules to sea lanes and even the sanctity of their own sovereign territory.

Likewise, ASEAN is essential to the future of the Indo-Pacific and possibly the only practical multilateral structure for nations with such disparate cultures, languages, religions, governments, and population sizes, but the troubling reality is that ASEAN often proves incapable of addressing crises. Every year, the world waits with baited breath to see whether the ASEAN leaders' Statement will even mention the fact that the PRC is stealing its members' territory. And the January coup by Burma's military has once again thrown the limitations of ASEAN into sharp relief.

Resolving these paradoxes will require following through on the increased engagement in the Indo-Pacific that the United States has promised over successive Administrations and has so far never fully delivered on. Over the last decade, the United States has concluded that the Indo-Pacific is our prevailing foreign policy priority. But the relative foreign assistance resources dedicated to this half of the globe have barely shifted and are still far outstripped by

those dedicated to the Middle East, Africa, and the Western Hemisphere.

We also need to do better to resolve the dissonance between the perception of U.S. disinterest and the reality of our partnership. The fact is, the United States remains ASEAN's most reliable and essential external partner. In addition to our bilateral assistance, the United States is, for example, the world's largest donor to COVAX. We are also the world's largest donor to the Rohingya crisis and Southeast Asia's primary source of foreign direct investment. And far too often, American sailors and airmen are the only people standing in the way of the PRC's constant attempts at territorial expansion.

Going forward, it will be essential to articulate a compelling vision of what U.S. partnership offers to the nations of ASEAN. Successive U.S. Administrations have struggled to offer a credible theory of economic engagement with the region, and exploring new bilateral or sectoral agreements could help. Following through on our pandemic-era emergency assistance to create lasting public health cooperation could be another promising opportunity.

And, along with our partners, we must demonstrate that arrangements like the Quad and AUKUS will not diminish ASEAN but elevate it and protect its members from the PRC's attempts at regional hegemony.

With that in mind, I am looking forward to discussing the Biden Administration's recent high-level trips to the region and in reviewing their new version of the Indo-Pacific strategy when it comes out, which I hope will address these challenges and opportunities. The in-person engagement we have seen from the Cabinet and the Vice President so far this year is certainly something that our ASEAN partners will appreciate.

So I look forward to continuing the conversation with our panelists, and I yield back.

Mr. BERA. Thank you, Ranking Member.

Let me now introduce our witnesses.

First, we have the Honorable David Shear, adjunct professor at the Johns Hopkins School of Advanced International Studies. He was U.S. Ambassador to Vietnam from 2011 to 2014, after which he served as Assistant Secretary of Defense for Asian and Pacific Security Affairs from 2014 to 2016.

Next, we have Ms. Meredith Miller, former Deputy Director of the Office of Economic Policy at the State Department Bureau of East Asian and Pacific Affairs.

Last, but not least, is Mr. Michael Sobolik, fellow in Indo-Pacific studies at the American Foreign Policy Council.

I thank you all for participating in today's hearing.

I will now recognize each witness for 5 minutes. Without objection, your prepared written statements will be made part of the record.

I will first invite Ambassador Shear to share his testimony.

**STATEMENT OF THE HONORABLE DAVID B. SHEAR, ADJUNCT
PROFESSOR, JOHNS HOPKINS SCHOOL OF ADVANCED
INTERNATIONAL STUDIES, FORMER U.S. AMBASSADOR TO
VIETNAM AND ASSISTANT SECRETARY OF DEFENSE FOR
ASIAN AND PACIFIC SECURITY AFFAIRS**

Mr. SHEAR. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Chabot, thanks for inviting me to appear before the subcommittee today. I will be summarizing remarks that I have already submitted.

Thirty years from now, Southeast Asia will be a fulcrum of world geo-economic and geopolitical power. Countries most engaged economically in the region will write its rules and set its standards. Countries that wield effective influence, particularly with countries bordering the South China Sea, will hold tickets to regional eminence.

To be a player in the future Southeast Asia, right now the United States will need to engage the region with a positive message that appeals directly to Southeast Asian aspirations. We will need to conduct a vigorous regional diplomacy, from the Presidential level down. We will need to devise a region-wide economic strategy, including support for infrastructure finance. We will need to deploy our military assets in ways that better deter aggression and best fit regional strategic realities. And we will have to increase pressure on the Burmese military regime and continue to seek improvements in democracy and human rights throughout the region.

Southeast Asians want economic development, national autonomy, and a peaceful international environment. Our message should appeal to these aspirations.

ASEAN leaders seek a regional balance of power that permits them maximum maneuverability. They know that they can't pursue these goals effectively without strong American regional engagement. They also know that they can't succeed if they are tied too tightly, either to the U.S. or to China.

ASEAN peoples are deeply ambivalent about the rise of Chinese influence. On one hand, their interests compel them to pursue the big economic opportunities that China offers. On the other hand, the ASEANs chafe at Chinese diplomatic highhandedness and fear Chinese economic domination. We can exploit this ambivalence, but only to a point. ASEAN countries don't want to be considered merely as pawns in a Sino-American struggle for regional influence.

Mr. Chairman, doing diplomacy with Southeast Asia is like eating tofu with chopsticks. If you squeeze too firmly, it falls apart. If you squeeze too softly, it slips away. But we have to squeeze. If we are going to do serious diplomacy with the Southeast Asians, we need American ambassadors at posts. We still don't have Ambassadors in multiple Asian capitals. Every day without an ambassador at post is a day of opportunities lost for American interests.

We also should engage more fully in the region at the Presidential level. For the President to show up consistently in Southeast Asia is important, but even more important is the need for sustained Presidential attention to the task of shifting the resources necessary to make Southeast Asia a higher strategic priority.

The Administration came out of the gate strongly with successful visits by the Vice President, Secretary of Defense Austin, and Deputy Secretary of State Sherman. The two Quad summits hosted by the President aggressively addressed the fight against COVID, climate change, cybersecurity technology cooperation, and people-to-people relations. This kind of effort appeals directly to regional aspirations.

Members of Congress can demonstrate our interest in the region by visiting. You will find our hosts eager to engage, and you will find embassies eager to host you as well. We haven't had a Southeast Asian economic policy since 2016. From a strictly strategic point of view, our failure to join the Trans-Pacific Partnership was a blunder, and we should fix it by rejoining.

We should also participate more fully in the Southeast Asian infrastructure build-out. We need to focus on infrastructure finance, local capacity-building, and project preparation. Increased funding earmarked for Southeast Asia from the Development Finance Corporation, the Treasury Department's Infrastructure Transaction Assistance Network, and the Trade Development Administration would go a long way.

With regard to defense, strengthening conventional deterrence in Southeast Asia is a critical task. We must increase Joint Force lethality, enhance our posture, and strengthen allies and partners. And we will need to shift resources from other regions in East Asia in order to do so. The establishment of AUKUS sent the entire region a strong message of American commitment. And with regard to shifting resources, we need to look at not only our forces but at the way in which we distribute security assistance globally.

With regard to human rights, the tragic situation in Burma reflects some of the hard choices and limited options that U.S. policymakers sometimes face in engaging Southeast Asia. We must keep up the pressure on the regime while we do all that we can to stay on the side of the Burmese people.

We should appoint a new special representative and policy coordinator for Burma. The position in the State Department has been vacant since 2012. We need to expand sanctions on trade and investment with entities owned or controlled by the military regime. And we need to seriously consider declaring the military's 2017 actions in Rakhine State genocide.

Mr. BERA. Yes, Ambassador Shear, your time has expired, unfortunately. But we look forward to, you know, expanding on your opening Statement.

Mr. SHEAR. Thank you, Mr. Chairman. I was almost done.
[The prepared statement of Mr. Shear follows:]

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STATEMENT OF

THE HONORABLE DAVID B. SHEAR
FORMER U.S. AMBASSADOR TO VIETNAM;
FORMER ASSISTANT SECRETARY OF DEFENSE FOR ASIAN
AND PACIFIC SECURITY AFFAIRS

BEFORE THE

U.S. HOUSE FOREIGN AFFAIRS COMMITTEE
SUBCOMMITTEE ON ASIA, THE PACIFIC, CENTRAL ASIA, AND
NONPROLIFERATION

ON

STRENGTHENING TIES WITH SOUTHEAST ASIA

SEPTEMBER 28, 2021

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Mr. Chairman,

It's an honor to appear before the Sub-committee today to address the topic of U.S.-Southeast Asian relations.

I. Introduction

Southeast Asia offers us big geopolitical and geoeconomic opportunities in the coming years, and to exploit those opportunities properly we'll need to:

- engage more intensively in the region at the Presidential and senior-most levels and enlist our allies and partners in a vigorous regional diplomacy;
- devise a coherent, region-wide economic strategy, and
- deploy our military forces in ways that deter aggression and best fit regional strategic realities.

We will make progress in encouraging democracy and human rights in Burma and elsewhere only on the basis of a stronger American role in the regional political and economic balance of power.

II. Southeast Asia's Growing Importance

Twenty to thirty years from now Southeast Asia will be one of the fulcrums of world geo-economic power. The ten countries of the Association of Southeast Asian Nations (ASEAN) boast a combined population of 660 million and a GDP of three trillion dollars. Post-COVID, ASEAN economies will likely grow by an average 5.5%, and the ASEAN region will be the world's fourth largest economy by 2030. The U.S. exported \$122 billion in goods and services to ASEAN in 2020. The Asian Development Bank estimates that the region will require almost \$23 trillion in infrastructure investment for the next ten years to keep up with economic growth, and the digital economy likely

to exceed \$300 billion by 2025.¹ Outside countries capable of expanding and deepening their economic relationships in Southeast Asia will write the rules and set the standards for future development, trade, and investment.

Southeast Asia will also be one of the world's fulcrums of geopolitical power. The South China Sea holds 11 billion barrels of oil and 190 trillion cubic feet of natural gas in proved and probable reserves. More than half of the world's annual merchant fleet tonnage passes through the Straits of Malacca, Sunda, and Lombok. Almost a third of global crude oil and over half of global LNG trade pass through the South China Sea. According the Energy Information Agency, 90% of Chinese, Japanese, and South Korean crude oil shipments transit this crowded waterway. The country whose influence dominates the rim of the South China Sea will hold the ticket to regional pre-eminence.²

Simply put, we won't be able to generate influence throughout the Indo-Pacific region and we won't be able to compete with China unless we up our game in Southeast Asia.

The United States wants a peaceful and prosperous international order in Southeast Asia in which countries of the region can relate to one-another and to the world freely and openly in accordance with their own interests. The Southeast Asians' desire for national autonomy, economic development, and a peaceful international environment is congruent with our interests. They want a regional balance of power that permits them maximum national autonomy and diplomatic maneuverability in a field crowded by great powers. They know that they can't pursue these goals effectively without strong American regional engagement in all its forms.

¹ ASEAN Matters for the U.S.: <https://www.eastwestcenter.org/system/tdf/private/2021-asean-matters-for-america.pdf?file=1&type=node&id=40776>

² Energy Information Agency: https://www.eia.gov/international/analysis/regions-of-interest/South_China_Sea

There are nevertheless limits to how far and how fast we can go. Asians also need to pursue the huge economic and other opportunities that friendly relations with China offer. China is everyone's largest trading partner, Chinese state run enterprises are increasingly active regionally, and the Belt and Road Initiative loudly if sometimes hollowly promises to fulfill many of the region's infrastructure needs. It's only natural that Southeast Asian elites would want us to value our bilateral relationships with them for their own sake without treating them as pawns in a U.S.-China strategic game.

I'll be speaking of "the Southeast Asians" and "the ASEANs" as collectives, but I should note that the region is incredibly diverse geographically, historically, culturally, and politically. No "one size fits all" strategy that focusses only on our competition with China can work. The region's diversity is reflected in ASEAN's lack of unity. ASEAN is not an alliance, and ASEAN as an institution will never be an ally of the U.S., despite the critical importance of continued American engagement in ASEAN regional forums. Southeast Asia is too diverse, and the interests of the ten countries that make up ASEAN are too divergent for it to be that tightly bound together or that tightly tied to the U.S.

III. Seizing The Opportunities

A. A More Vigorous Regional Diplomacy

We need to engage more fully in the region at the Presidential level and enlist our allies and partners in a vigorous regional diplomacy. It is often said that half of Southeast Asia diplomacy is just showing up. For the President to show up consistently in Southeast Asia is indeed important, but even more important is the need for sustained Presidential attention to the task of shifting the American resources necessary to make Southeast Asia a higher strategic priority.

The administration came out of the gate strongly with a March Quad summit and visits to Northeast Asia by Secretaries Blinken and Austin

and to India by Secretary Austin that lead to the Anchorage meeting with the Chinese. Many Southeast Asians welcomed this as a sign of our determination to conduct a muscular regional diplomacy, but they wonder why the President has yet to call any Southeast Asian leaders.

The administration followed up with successful regional visits by the Vice President, Secretary of Defense Austin, and Deputy Secretary of State Sherman. The robust COVID-related diplomacy that we have brought to bear through these engagements is particularly worthy of mention. As of mid-August, the United States had donated more than 23 million doses of COVID-19 vaccines and more than \$160 million in emergency health assistance to ASEAN countries.³

But we'll need sustained Presidential attention to Southeast Asia in order for us to generate maximum diplomatic traction. I hope that President Biden will participate fully in this year's APEC and EAS virtual summits and travel to the region as soon as COVID allows. I look forward to seeing the administration's National Security Strategy, National Defense Strategy, a new Indo-Pacific Strategy, and the results of the global posture review. The administration will have an opportunity to demonstrate its commitment to a shift in post-Afghanistan strategic priorities in these documents.

Mr. Chairman, doing diplomacy with Southeast Asia is like eating tofu with chopsticks: if you squeeze too firmly, it falls apart. If you squeeze too softly, it slips away.

But you have to squeeze. If we're going to do serious diplomacy with the Southeast Asians we need ambassadors in ASEAN capitals. We don't have an Assistant Secretary of State for East Asian and Pacific Affairs. We still don't have ambassadors to Thailand, Vietnam, the Philippines, Brunei, Singapore, or ASEAN. In fact, we haven't had ambassadors to Singapore or ASEAN since 2017. Nor do we have ambassadors in Beijing, Seoul, or Tokyo. Our ambassadors are the

³ Department of State: <https://www.state.gov/u-s-support-to-asean-in-fighting-covid-19/>

people on the ground who recognize and pursue opportunities for the U.S. Every day without an ambassador is a day of opportunities lost to American interests.

The Quad, consisting of the U.S., Australia, Japan, and India, is an important diplomatic tool. Many people in the national security community think of the Quad only as a nascent military alliance and want it to act that way. This may reflect the Quad's future value, but its present value is almost entirely diplomatic. The Quad can greatly magnify our diplomatic voice throughout the region and strengthen our diplomatic leverage with the Southeast Asians as well as the Chinese. The March Quad summit hosted by the President addressed the fight against COVID, climate change, and technology cooperation.

The Quad should be part of a broader effort to engage with our allies on Southeast Asian affairs, especially with the Japanese. Japan is still among ASEAN's largest trading partners and between 2015 and 2020 Japan pumped \$102 billion in FDI into ASEAN, more than China. Japan has deep, long-standing links with priority Southeast Asian countries like the Philippines, Vietnam, Indonesia, and Singapore. The Japanese are demonstrating strong leadership in Southeast Asia, and we should not only encourage it, we should figure out how they do it.

B. A Coherent, Region-wide Economic Strategy

The U.S. economic position in Southeast Asia is impressive. We conducted over \$308 billion in two-way trade with the region in 2020 and between 2015 and 2020 we invested more than \$111 billion in the region, more than any other country.

But we need to be stronger. As far as I can tell, we haven't had a comprehensive regional economic strategy since 2016. I'm going to let my colleague address this issue in detail, but we need a credible geoeconomic approach because regional geopolitics and geoeconomics are intimately linked.

I understand the domestic politics of free trade agreements, but from a strategic point of view our failure to join the Trans-Pacific Partnership (TPP) was a blunder. As you all know, the Japanese deftly intervened in 2017 to save the TPP without us. Outside the TPP, we'll have a lot less say in regional rule making and standard setting, especially if the Chinese is admitted.

An effective geo-economic strategy must also include increased American participation in the great Southeast Asian infrastructure build-out. The Senate should confirm the President's nominees for Development Finance Corporation (DFC) CEO (Scott Nathan) and Exim-Bank President and Chair (Reta Jo Lewis) as soon as possible so that these institutions can gear up. I doubt that we'll ever match Japanese (\$259 billion) or Chinese (\$157 billion) infrastructure funding levels, but Congressional support of the DFC and the Ex-Im Bank offers us a way to stay in the game.

C. Building Conventional Deterrence

Strengthening conventional deterrence in Southeast Asia is a critical task. The Pacific Deterrence Initiative is an important approach to enhancing the credibility of the our deterrent. I strongly endorse the DoD's effort to increase joint force lethality, enhance our posture, and strengthen allies and partners.

The Indian Ocean approaches to the Malacca Strait, the South China Sea, and the Mekong River are Southeast Asia's strategic centers of gravity. These are the areas on which Southeast Asians depend for their livelihood and on which so many conflicting regional and global interests converge. Our continued naval access to the South China Sea will rely more on how deftly we manage our relations with the Philippines, Vietnam, Singapore, and Indonesia than on how many Freedom of Navigation Operations we conduct. Our continued command of the western approaches to the Malacca Strait will depend on the level of our cooperation with India and Australia. In this regard the establishment of AUKUS and our agreement on the provision of

nuclear powered submarine technology to Australia was an important step forward.

It's necessary to point out that American strategic posture in Southeast Asia differs markedly from our posture in Northeast Asia. In Northeast Asia we have a clear forward line of defense, numerous forward-deployed forces, and strong, capable allies. It's just the opposite in Southeast Asia, where we have a more ambiguous line defense, many fewer forces, and far less capable allies. Given these facts, as well as Southeast Asian interest in balancing between the U.S. and China, we probably can't replicate our Northeast Asian posture. The ambiguity of the situation is encompassed in our contrasting relationships with the Philippines and Singapore. Our treaty ally the Philippines is ambivalent about hosting U.S. forces. Singapore is not a treaty ally but hosts rotationally deployed American littoral combat ships and a Navy command. We'll have to be both agile and patient in our effort to build a more distributed force.

IV. Balancing our Interests

The tragic situation in Burma reflects the hard choices and limited options that U.S. policy makers face in engaging Southeast Asia. Burma has rich resources and a population that seeks both democracy and development. It is also increasingly strategic. Burma shares a 1,300 mile border with the PRC. The Chinese have built oil and gas pipelines through Burma to the Andaman Sea and are fond of calling Burma "China's west coast." The two countries share a huge cross-border trade, and thousands of Chinese immigrants have filtered into the country. The Chinese built gas and oil pipelines connecting Kunming with Kyaukphyu on the Andaman Sea in 2013 and 2017 and hope to build road and rail links along with several economic zones. The Trump and Biden Administrations did the right thing by sanctioning Burmese entities responsible for the genocide in Rakhine State and for the February coup. Targeted sanctions hold those responsible accountable for their acts while shielding the Burmese people from economic harm.

V. Conclusion

Mr. Chairman, if we fail to seize the economic and strategic opportunities that Southeast Asia offers to us the American people's security and prosperity someone else will, and our security and prosperity will suffer. Only broadly based diplomatic, economic, and military efforts, consistently supported by the highest levels of the U.S. Government will allow us to pursue those opportunities effectively.

A Vietnamese saying current among Hanoi Communist Party elites captures the problem all Southeast Asian countries face. The saying goes: "If you get too close to the Chinese, you lose the country. If you get too close to the Americans, you lose the party." Not all Southeast Asian countries are run by Communist Parties, but this saying demonstrates that to succeed anywhere in Southeast Asia, we'll need to squeeze the tofu just right.

Mr. BERA. OK. Great.

Let me now recognize Ms. Miller for her testimony.

STATEMENT OF MEREDITH MILLER, FORMER DEPUTY DIRECTOR, OFFICE OF ECONOMIC POLICY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. MILLER. Thank you, Chairman Bera, Ranking Member Chabot, and distinguished members of the subcommittee. I appreciate the opportunity to share my perspective with you on this important topic, strengthening Southeast Asia-U.S. relations, particularly the economic dimension of that.

The importance of that can't be understated, and, in many respects, it is foundational to the topic of today's hearing. This is for a number of factors that are interrelated.

First, as I detailed in my written testimony, Southeast Asia is of tremendous economic importance to the United States, and there is tremendous potential for future growth.

Second, as Chairman Bera and Ranking Member Chabot noted in their opening remarks, China's economic investment influence in Southeast Asia is longstanding and is on an upward trajectory. It is in the interest of the United States to support our partners in the region and have a diversified economic relationship that allows for resilience against external shocks as well as strategic autonomy.

This desire in Southeast Asia for economic diversity in relationships is also driving many new negotiations of preferential trading arrangements. CPTPP is one. ASEAN is also the leader behind the new RCEP agreement, which is the largest FTA in the world, and is actively negotiating an FTA with the European Union.

The U.S. is not a party to any of these new frameworks, and this disadvantages our companies, over the medium and long term in particular, and also the United States as a destination for foreign direct investment. It also means that our voice at the table in developing new standards and norms in the region is weaker than it was before.

It is also symbolically important. Many in the region are concerned that the U.S. has ceded leadership to China in this important economic arena. And, earlier this month, China announced that it had formally applied to join CPTPP, reinforcing this narrative in certain corridors.

Additionally, and perhaps really importantly for the topic of the hearing, Southeast Asians overwhelmingly want more economic engagement from the United States. Economic engagement, commercial diplomacy, is at the heart of multilateralism in the region. It is the center of the mission of APEC and also core to the foundation and the activities of ASEAN.

For leaders in emerging economies in the region right now, in particular, all of these issues have been thrown into even more acute relief by the devastation of COVID-19. The economic, health, and social consequences of the pandemic has put additional urgency on leaders to find new ways to stimulate economic growth and provide jobs, particularly for the very young population of the region.

The Biden Administration has greatly enhanced its outreach to Southeast Asia in the second half of the year, which is a very welcome development. And Secretary of State Tony Blinken has announced that the Administration will soon share an Indo-Pacific strategy. We can be fully confident that Southeast Asian leaders will be looking to that strategy in particular for the economic dimension, and, for it to be successful, we need to be responsive and engaged on that concern.

In my written testimony, I included several recommendations for the committee's consideration on how we can boost our economic engagement in the region. Perhaps the most important and also the most challenging is for the U.S. to chart a path forward for joining CPTPP.

There is no substitute for the United States, in both strategic and economic importance, for participating in that agreement as a way of ensuring our long-term competitive outlook and helping to provide additional developments of high standards in areas like labor, climate change, and other concerns for the United States.

It is also welcome to hear growing momentum for sectoral agreement negotiations, particularly in the digital policy arena. Southeast Asia is one of the fastest-growing internet economies in the world and a large digital market.

Third, it is important to note that the United States has many strong existing frameworks for economic diplomacy in the region but these could be usefully strengthened for enhanced impact. This includes resourcing our agencies that help to promote trade and investment, like the DFC and TDA; revitalizing our Trade and Investment Framework Agreement dialogs with ASEAN and bilaterally with key countries in the region; and pursuing Vice President Harris's welcome announcement that the U.S. would seek to host APEC in 2023.

Importantly, Southeast Asia is also looking to the United States, and we could play a very important role in supporting the region in charting a path forward for equitable economic recovery from COVID-19. The devastation of the pandemic has hit vulnerable groups particularly hard, including women, the youth, and the poor.

In the interest of time, I will stop my remarks here, and I very much look forward to continuing the discussion with the distinguished members of the committee.

[The prepared statement of Ms. Miller follows:]

Statement before the House Foreign Affairs Subcommittee
on Asia, the Pacific, Central Asia, and Nonproliferation

“Strengthening U.S. Ties with Southeast Asia”

Testimony by

Meredith Miller, former Deputy Director, Office of Economic Policy

Bureau of East Asia and Pacific Affairs, U.S. Department of State

September 28, 2021

Chairman Bera, Ranking Member Chabot, distinguished Members of the Subcommittee, thank you for the opportunity to offer my perspective on the importance of strengthening U.S. ties with Southeast Asia and the path forward. It is an honor to share my views.

This hearing is very timely given the tremendous shifts in the geopolitical and economic landscape in Southeast Asia, the critical importance of Southeast Asia to U.S. economic and strategic interests, and the intensified focus of the Biden administration on the Indo-Pacific region. Southeast Asia is the heart of the Indo-Pacific, between China and India and straddling the Indian and Pacific oceans. With a population of more than 662 million people, it is the third largest population in the world and has a GDP of \$3.2 trillion, but for successive administrations it has received far less attention from U.S. policymakers than its giant neighbors. The ten countries of Southeast Asia, which make up the membership of the Association of Southeast Asian Nations (ASEAN), are highly diverse in terms of political systems, levels of economic development, religion, language, and foreign policy. At the same time, ASEAN members share collective interests and challenges, including China’s growing economic and strategic influence and concerns over perceived U.S. disengagement in the region. This necessitates a U.S. foreign policy that includes strong regional and bilateral components.

I have been asked to speak on U.S. economic engagement and will share recommendations for more robust economic diplomacy and goals ahead of U.S. participation in the East Asia Summit, U.S.-ASEAN Summit, and the Asia Pacific Economic Cooperation forum (APEC) this November.

Enhanced high-level engagement from the Biden administration with Southeast Asian countries and ASEAN is a welcome development, but we need to do more. Our economic engagement in Southeast Asia is arguably the most important pillar of our strategy and it is also the weakest. Congressional leadership and support are essential to increase the level of our ambition and successful impact.

Strategic Importance of Economic Engagement

U.S. economic engagement in Southeast Asia is critical to maximize the economic benefits of our trade and investment relationships with this dynamic region. Against the backdrop of China’s dramatically increased economic influence and the devastating health and economic impacts of the global pandemic, it is also an essential means to support countries in the region to maintain independent foreign and domestic policies. Importantly, economic diplomacy and multilateralism are also Southeast Asian

countries preferred platforms for engaging with external powers like the United States and they value multilateral mechanisms that can advance their shared interests.

In the early days of the Biden administration, many in the region feared that Southeast Asia was being overlooked in favor of other priorities. Due to significantly increased outreach in the second half of the year, including visits to Southeast Asia by Deputy Secretary of State Wendy Sherman, Defense Secretary Lloyd Austin and Vice President Kamala Harris as well as USTR Katherine Tai's meeting with the ASEAN Economic Ministers and positive exchanges last week at UNGA, including Secretary Tony Blinken's meeting with ASEAN Foreign Ministers and President Joe Biden's personal invitation to Indonesian President Joko Widodo (Jokowi) to make remarks at the [Global Summit on Covid-19](#), these concerns are less prominent. Upcoming regional meetings in November, such as the East Asia Summit and APEC Leaders and Foreign and Economic Ministers meetings, provide additional opportunities to strengthen ties and demonstrate our commitment to the region. ASEAN countries are enthusiastic about opportunities for increased engagement with the U.S., particularly in the economic arena.

ASEAN Centrality and Regional Economic Integration

This year, the "State of Southeast Asia: 2021" survey report, published by the ASEAN Studies Centre at ISEAS-Yusof Ishak Institute, found that respondents overwhelmingly chose the threat to health from Covid-19 (76% across ASEAN), followed by unemployment and economic recession (63% across ASEAN) as top concerns facing Southeast Asia. Comparatively, only 29.9% selected "increased military tensions arising from potential flashpoints" (South China Sea, Taiwan, Korean Peninsula).

These responses reflect Southeast Asia's traditional weighting of foreign policy considerations. Economic diplomacy has long been the foundation for regional integration, and trust building. When the Association of Southeast Nations (ASEAN) was formed in 1967, the founding five nations had very little in common, and legacies of historical mistrust, including outstanding territorial disputes. This was also true for later entrants like Cambodia, Laos, Myanmar, and Vietnam. The first principle of the ASEAN declaration is *"to accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations"*. While ASEAN's mandate has grown to encompass many areas including non-traditional security, the South China Sea and other sensitive topics, its most robust agenda remains in the economic arena, in areas where mutual benefits are clearly understood among its diverse membership. Successive Democratic and Republican administrations have recognized and pledged support for the concept of ASEAN Centrality, which positions ASEAN as the driver of multilateral frameworks in the region, including through its leadership of the East Asia Summit, which includes the United States and other regional powers such as Australia, China, India, Japan, New Zealand and South Korea.

An economic prosperity mission is also the impetus for the Asia Pacific Economic Cooperation forum (APEC), a grouping of 21 Asia Pacific economies, including the United States and seven ASEAN members. APEC is an important regional forum for developing and socializing new policy concepts that can be further developed bilaterally or in other multilateral venues such as the World Trade Organization.

While economic diplomacy is a priority for our partners in ASEAN, U.S. leadership of multilateral economic policy discussions waned in the Trump administration and participation in multilateral trade negotiations was curtailed. As a result, the region has moved forward without the U.S., including by

concluding two of the largest and most consequential FTAs outside of the WTO, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership agreement (RCEP). Vice President Kamala Harris' announcement in Singapore in August that the U.S. would petition to host APEC in 2023 was a welcome signal of revitalized U.S. commitment to APEC and its mission, but the U.S. needs to put forward a strong vision and concrete commitments for enhanced economic engagement with the region to make its chairmanship a success.

The void from the U.S. withdrawal from the Trans-Pacific Partnership agreement (TPP) in 2017 remains to be filled. TPP was an ambitious high-level trade agreement including the United States, and eleven other Asia Pacific economies, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, and Vietnam. Had the United States not pulled out, the agreement would have eliminated tariffs and established standards in critical areas such as intellectual property protection, labor, and the environment, and was estimated by U.S. government agencies to boost U.S. exports and imports by \$57.2 and \$47.5 billion respectively by 2030, while The Peterson Institute of Economics estimated annual exports would increase by \$357 billion (9.1 percent) from 2015 to 2030.

Following the U.S. withdrawal, TPP members forged ahead with the reconstituted CPTPP, completing negotiations in 2018. CPTPP has an open accession clause and has received applications and expressions of interest from a number of countries including Taiwan and the United Kingdom, and China has just formally applied to become a member earlier this month.

In 2020, ASEAN also completed negotiations on the Regional Comprehensive Partnership agreement (RCEP), a free trade agreement between ASEAN and five of its closest dialogue partners, Australia, China, Japan, New Zealand and South Korea, collectively accounting for approximately 30 percent of the world's population and GDP. RCEP is expected to go into effect next year, pending ratification by additional members.

ASEAN is also negotiating an FTA with the European Union (EU) and has upgraded its economic partnership agreement with Japan. Several bilateral free trade agreements have also come into effect in the region since the U.S. withdrawal from CPTPP, including between Indonesia and Australia, and the EU-Vietnam FTA.

The Impact of Covid-19

As the region reels from the impacts of Covid-19, these frameworks become even more important in the context of both pandemic response and economic recovery. As reflected in the ISEAS survey on challenge perceptions, there is an intense focus on the prospects for greater support from the United States on vaccinations, pandemic preparedness and strengthening health systems. Today approximately seventy-five percent of ASEAN is unvaccinated and lockdown restrictions are continuing to depress regional economic growth, which went from 4.5 percent GDP growth in 2019 to a contraction of 3.3 percent in 2020. A recently released International Labor Organization (ILO) report called the impact on jobs "unprecedented" and noted that women and young people are the most affected.

As of this hearing, case counts in Southeast Asia are in decline, but danger of a resurgence remains given low vaccination rates. While Malaysia, Cambodia, and Singapore have fully vaccinated between 60 and 80 percent of their populations, Indonesia, Vietnam, Thailand, Myanmar, the Philippines, and Laos have fully vaccinated just 17 percent of their population on average. Vietnam's rate is particularly low at just 7.3 percent of the population fully vaccinated against Covid-19. These low vaccination rates have been

caused, in large part, by persistent vaccine supply shortages. Without a dramatic expansion of vaccinations in Southeast Asia, the region may be subject to another devastating wave.

Understanding the region's need for support in combatting COVID-19, both the United States and China have made considerable investments to advance health diplomacy with Southeast Asia. China has donated tens of millions of doses of vaccine and hundreds of millions of medical supplies to Southeast Asia, including donations of over a million-and-a-half vaccines to Vietnam and nearly two million to the Philippines. China's largest vaccine manufacturers, Sinovac and Sinopharm have sold over 1.2 billion doses of vaccines, hundreds of millions of which went to Southeast Asia.

Many Southeast Asian countries have relied primarily on Chinese vaccines, which are cheaper and more readily available than other alternatives but concerns over efficacy against the Delta variant have risen. Access to high quality vaccines is a top policy priority across the region and recent announcements are welcome developments. Secretary Tony Blinken highlighted in his meeting with ASEAN Foreign Ministers on September 23 that the United States has provided ASEAN members with more than \$194 million in emergency Covid-19 assistance and shared more than 31 million vaccine doses, including as part of the 500 million Pfizer Covid-19 doses the United States has made available for distribution by COVAX. President Biden's pledge last week to contribute another half billion doses of Pfizer to donate to low- and middle-income countries around the world, bringing the U.S. contribution to 1.1 billion by this time next year is hopefully the beginning of further commitments and a strengthening of the U.S. leadership of the global response to Covid-19.

Beyond support for vaccine access and distribution, Southeast Asian economies need support for economic recovery. The impact of Covid-19 has been devastating on economic growth and poverty reduction goals, particularly in emerging Southeast Asian economies. Southeast Asia was one of the first regions in the world to be impacted by the pandemic and lockdown measures persist to varying degrees throughout the region. This has choked off tourism, led to factory closures and job losses, reduced demand, disrupted supply chains, and pushed many Southeast Asians below the poverty line. An estimated 152 million children and youth have been affected by school closures due to Covid-19. The loss in educational opportunity is disproportionately borne by the poor, who have less access to remote learning options and will impact the future productivity of these countries for years to come.

Southeast Asia's Economic Importance to the U.S.

Southeast Asia is a critically important economic partner for the United States and is poised to increase in significance due to positive demographic trends, rising GDP and geopolitical shifts, including growing tensions between the U.S. and China. ASEAN's economy is projected to grow by over 5.5% per year and become the 4th largest economy in the world by 2030, according to the International Monetary Fund. ASEAN's middle class is expected to more than double in size from 135 million (24% of ASEAN's population) to 350 million (51% of the population) by 2030. The region has a very young population as well, with 58 percent under the age of 35. Sustainable urbanization is a key challenge and opportunity that comes with this demographic growth. It is estimated that nearly 70 percent of ASEAN's population will live in urban areas by 2030, which presents an opportunity to U.S. companies to provide the technology, products, and services to support this transition, including rising demand for high quality education and health services.

ASEAN ranks 4th after Canada, Mexico, and China as a goods export market for the United States, and the United States is the 2nd largest trading partner for ASEAN, representing more than \$122 Billion in U.S. exports to ASEAN. As reported in the fifth edition of *ASEAN Matters for America/ America Matters for ASEAN* this includes \$13.7 billion in food and agricultural goods. All fifty states export to ASEAN, supporting more than 625,000 U.S. jobs. ASEAN is also the top destination for U.S. investment in the Indo-Pacific, having received more than \$338 billion in total US foreign direct investment. This is more than the United States has invested in mainland China, India, Japan, and South Korea combined.

ASEAN also presents tremendous opportunities for the U.S. technology sector, as the world's fastest-growing internet market, and one of the largest digital economies in the world. The U.S. economy also benefits greatly from visitors from ASEAN, who added nearly \$8 billion to the economy in 2019, while students from ASEAN countries contributed more than \$2 billion to the U.S. economy. But there is tremendous untapped potential, particularly with some of the larger ASEAN nations, in particular Indonesia. For example, U.S. exports to Vietnam in 2019 with a population of 96.5 million were double our exports to Indonesia, which has a population of 276.79 million and a rapidly growing middle class.

Southeast Asian countries have also become increasingly important nodes in the supply chains of U.S. global manufacturers, particularly as labor costs and geopolitical risks rise in China and the impacts of Covid-19 have led many companies to further diversify their supply chains. Despite these facts, U.S. has ceded its role in leading discussions of regional economic architecture and is not benefiting from any of the major regional multilateral FTAs or participating actively in norms setting.

Increasing Chinese influence

At the same time, China's strategic influence is growing in Southeast Asia in tandem with deepening economic ties. China has been ASEAN's largest trading partner since 2009 and ASEAN was China's largest trading partner in 2020. Annual China-ASEAN trade was valued at \$642 billion in 2020 compared to approximately \$291 billion with the United States. China and ASEAN completed an FTA in 2005 and are both parties to RCEP. While the U.S. is still the top foreign investor in the region, Chinese investment has grown 30-fold over the past decade to nearly 22 billion annually (China and Hong Kong) while the U.S. is at 34 billion annually. Notably, these FDI statistics do not reflect massive Chinese non-commercial lending and programs through the Belt and Road Initiative, which Fitch Solutions estimated at \$255 billion as of [2019](#).

Challenges & Priorities

U.S. companies are facing an increasingly competitive environment in Southeast Asia due to the emergence of domestic competitors and the active engagement of China, Japan, South Korea, the European Union, and others. Companies from these countries are benefiting from the preferential trade benefits provided by the ongoing trade liberalization in the region, which is set to continue with the implementation of RCEP, widening membership of CPTPP and other negotiations in the pipeline such as the EU-ASEAN FTA. The absence of the U.S. from these frameworks puts U.S. companies and foreign investors in the United States at a disadvantage, facing higher tariffs when exporting to most countries

in the region than their competitors based in countries that participate in these regional FTAs. This makes the United States less competitive for FDI and as a production base to export to Asia. This will become a bigger issue over time as Asian countries and their key trading partners continue to deepen and expand their array of preferential trade arrangements. The U.S. absence also means that we are not able to effectively shape many critical discussions around new trade and investment rules, and also are forgoing important opportunities to advocate for the interests of our companies in promoting transparent and non-discriminatory policy frameworks in key markets.

One arena of growing economic importance for the U.S. and Southeast Asian countries is the digital economy. ASEAN is the fastest growing internet economy in the world, with Indonesia alone estimated to have a digital economy valued at \$124 billion by 2030, according to a report by [Bain, Google, and Temasek](#). Policy frameworks in the region are still being developed on key issues such as cross-border information flows, data privacy, cybersecurity, and data localization, all critical issues for our private sector. Collaboration on regional rule-setting for digital connectivity, particularly to promote rules that enable the free flow of data, will help to maximize the potential benefits of the digital economy. Singapore has been leading efforts to develop rules for digital trade, including in bilateral discussions with fellow ASEAN members and through participation in the newly launched Digital Economic Partnership Agreement (DEPA) with Chile and New Zealand.

Our companies are also facing increasing challenges in managing their supply chains due to tensions between the U.S. and China, the impact of climate change, and Covid-19. Many Southeast Asian countries have become even more attractive locations for production as companies seek to diversify and strengthen their supply chains. But as U.S. and global companies make critical strategic decisions on how to adjust their supply chains, they need predictable and stable U.S. policy. For example, the possibility earlier this year that the U.S. might apply Section 301 tariffs across the Vietnamese economy, created uncertainty for U.S. companies and tension with an important economic partner and strategic ally.

The business environment varies across Southeast Asia, but in several markets, companies must also contend with uncertain policy frameworks, preferential treatment for domestic companies and investors, foreign ownership limits, compromises of intellectual property rights, corruption, and weak rule of law. While our business community is actively engaged with Southeast Asian governments on these issues, strong U.S. government support is essential.

Recommendations

Southeast Asia is economically important to the United States and is also home to many close and long-standing partners. It is in our interests to continue to build and strengthen these relationships to make the most of opportunities for growth and to address the tremendous global challenges we collectively face. Secretary of State Tony Blinken pledged this week to develop an Indo-Pacific strategy and economic engagement with Southeast Asia should be an integral part of that. I also urge the Biden administration to continue to take a consultative approach in working with friends and allies in Southeast Asia to develop a strategy together based on strongly shared interests. As the administration

develops this strategy and the annual ASEAN Summits and APEC Leaders Meeting approach in November, I would like to share the following recommendations for the Committee's consideration:

- 1) The U.S. should chart a path for joining CPTPP. This will be a complicated and challenging process both domestically in securing support from key stakeholders and with the CPTPP members. The Biden administration and Congressional supporters of CPTPP, together with the U.S. business and agricultural stakeholders, will need to first work together to build domestic political support. This will not be an easy task, but it is an urgent one. The longer we wait to engage CPTPP, the harder it will be to join, particularly as new potential members, including China, are considered. For the U.S. there is no substitute for CPTPP in terms of its strategic significance, and economic benefits, including safeguarding the competitive position of our companies in these critical markets, and as a forum for addressing trade concerns.
- 2) Equitable economic recovery from Covid-19 should be a priority for the Biden administration and strong focus of our diplomacy in Southeast Asia. The pandemic has particularly hurt the poor, women, youth, and small business owners. The U.S. is well positioned to contribute to policy discussions about priorities for economic recovery plans, which should include special attention and focus on disenfranchised groups and to lend programmatic support. In particular, the pandemic exposed the necessity of strong digital infrastructures and payments systems for providing continuity of operations for economic activity, telemedicine, and education as well as relief to marginalized citizens and the ability to track and trace. Efforts to address inequities in digital access and improve underdeveloped digital and payments infrastructures are well suited to enhanced public-private partnerships. The Biden administration should also continue to work with the private sector to develop shared continuity of operations norms for critical economic activity to minimize job loss and supply chain disruptions due to Covid-19 or future pandemics.
- 3) The Biden administration should commit to negotiating sectoral agreements with regional partners. In particular, a U.S.-ASEAN digital trade agreement or an Indo-Pacific Digital Agreement would provide a platform for accelerating the benefits of the digital economy, which have become even more important in the midst of the global pandemic. The U.S. has a strong track record to build on from the U.S.-Japan Digital Trade agreement and high caliber provisions negotiated into the CPTPP. Such an agreement could also build off the good work of Singapore, New Zealand, and Chile in DEPA, which allows for new entrants to sign off on particular aspects of the agreement in a sequential fashion, making it more accessible for less developed economies in ASEAN like Laos and Cambodia. Given the weaknesses in health systems and trade in medical goods exposed by the pandemic, a sectoral initiative focused on creating new efficiencies and liberalization for medical goods would also be beneficial and further strengthen the U.S. role in economic recovery from Covid-19.
- 4) New investments in economic diplomacy are needed and we need to quickly rebuild our diplomatic profile in Southeast Asia. The U.S. has not had an Ambassador to ASEAN and Singapore, an important economic and security partner has not had an ambassador since 2017. Other posts have also suffered prolonged staffing gaps. Related, Congress should consider new investments in our diplomatic corps and US-ASEAN Connect to build capacity in the economic arena, develop and implement new programs on shared economic interests and develop and deploy stronger public communication strategies around the mutual benefits of United States -

Southeast Asia economic ties. Our companies' investments, strong trade ties, robust philanthropic sector, aid programs and people to people exchanges are often low-profile, particularly compared to other regional powers.

- 5) Increase support for programs and agencies to foster trade and investment in Southeast Asia, including in infrastructure. The level of financial support the U.S. offers for deepening commercial ties is meager compared to China and other regional powers such as Japan, and South Korea. The Build Act and reformation of the Overseas Private Investment Corporation into the Development Finance Corporation in 2020 with an increased budget of more than double OPIC's contingent liability limit of \$60 billion was an important step. Congress should consider ways to work with the Biden administration to accelerate the DFC's programs, and to strengthen the U.S. EXIM Bank and programs of the Trade and Development Agency (USTDA) to enhance our competitiveness.
- 6) The Biden administration should also continue good progress in strengthening U.S. participation in multilateralism in Southeast Asia, including by participating in the upcoming East Asia Summit, U.S.-ASEAN Summit and APEC Leaders meetings, by hosting APEC in 2023 and working closely with Indonesia on its chairmanship of the G20 in 2022. APEC has long enjoyed bipartisan support and is a useful forum for countries to address shared economic and global challenges. APEC Chairs have strong sway over the agenda and the U.S. can advance discussions on core issues such as regional economic integration, pandemic recovery, and the digital economy.
- 7) The United States has a Trade and Investment Framework (TIFA) in place with ASEAN and bilateral TIFAs with eight of the ten ASEAN members (our TIFA with Myanmar was suspended in March following the coup and the U.S. has an FTA with Singapore). These strategic frameworks are important venues for addressing bilateral issues. In her meeting with ASEAN Economic Ministers earlier this month U.S. Trade Representative Katherine Tai highlighted a U.S. commitment to these dialogues and to working with ASEAN on shared priorities including labor, the environment, and SMEs. In particular, USTR leadership in revitalizing and elevating economic dialogue and policy exchanges with Indonesia, would be valuable given the untapped potential for greater trade and investment ties between our two countries. U.S. commercial agencies should also be encouraged to continue to work with Indonesian counterparts to identify new opportunities for collaborations between our private sectors and governments.

Conclusion

In closing, I want to restate how important this pillar of economic cooperation is to our regional partners, sustaining our continued relevance to the region's future, the competitive outlook for our companies, and close relationships in Southeast Asia. As reflected in my recommendations, the U.S. has a number of good initiatives and tools for increasing our economic engagement that can be enhanced for increased impact and to strengthen our relationships in Southeast Asia.

Again, I would like to thank you for the opportunity to share my views.

Mr. BERA. Great. Thanks, Ms. Miller.
And now let me recognize Mr. Sobolik for his testimony.

**STATEMENT OF MICHAEL SOBOLIK, FELLOW IN INDO-PACIFIC
STUDIES, AMERICAN FOREIGN POLICY COUNCIL**

Mr. SOBOLIK. Thank you, Chairman Bera.

Mr. Chairman, Ranking Member Chabot, distinguished members of the subcommittee, it is a privilege for me to appear before you today to discuss strengthening America's ties with Southeast Asian nations.

The historical arc of U.S. policy in the region has given these governments ample reason to question America's reliability, commitments, and staying power. Their fears, moreover, have been made more acute in recent weeks by the precipitous U.S. withdrawal from Afghanistan and by a muting of the Biden Administration's early clarity about the need for long-term strategic competition with the People's Republic of China.

When it comes to appreciating Asian perceptions of America's role in Southeast Asia specifically, three case studies merit examination.

The first is America's withdrawal from Vietnam in the 1970's. When the United States abruptly pulled out of Vietnam in 1975, ASEAN nations were shocked not that America had left but at the way in which it did so. America's bungled withdrawal led to hedging behavior by regional States. A year prior to the pullout, Malaysia established relations with China. After Saigon's fall, the Philippines followed suit. And Thailand reached a similar calculation shortly thereafter, normalizing relations with Beijing in a bid to have China's help to blunt Vietnam's advance into Southeast Asia.

The second episode of note was Washington's response to the Asian financial crisis in 1997. That year, currency values in Thailand and Indonesia tanked and regional growth halted. Washington, however, did not lend a helping hand to Thailand, despite having given Mexico similar aid under similar conditions in 1994. China, however, pledged financing and economic support to Bangkok.

It was only after the situation in Southeast Asia worsened and the risk of contagion grew that the U.S. supported an Indonesian bailout fund. ASEAN member States, however, received the message clearly: The United States was an unpredictable partner in a crisis, perhaps even an unreliable one.

The final episode revolves around America's passivity in response to the PRC's reclamation and militarization of the South China Sea in the 2010's. Beijing's fait accompli land reclamation presented serious problems to Vietnam, Malaysia, and the Philippines, as well as Taiwan. While diplomats attempted to address the issue within ASEAN, Beijing exploited its close ties with Cambodia to scuttle any inclusion of the South China Sea in the resulting communique.

Although subsequent U.S. freedom-of-navigation operations communicated our resolve to sail and patrol wherever necessary, China had succeeded in creating new facts on the ground that severely complicated the economic and military calculations of key ASEAN member States.

This background, in turn, casts recent events in Afghanistan in a new and concerning light, both for Washington and especially for ASEAN. To the misfortune of Southeast Asian nations, Washington is doing now what it did 40 years ago when it exited Vietnam. The U.S. has once again haphazardly ended a war on the other side of the world and is relying on others, especially China, to pick up the pieces. This time, however, China is not an economic backwater or a military afterthought. It is the world's second-largest economy, and by some estimates the largest, and has the region's largest and most capable armed forces.

There are, however, encouraging signs that Washington is beginning to learn from these mistakes—from the widely supported “Free and Open Indo-Pacific” concept, to the commendable Mekong-U.S. Partnership that was recently established.

Looking forward, policymakers would do well to give attention to four matters. I go into these in detail in my submitted testimony. I will briefly touch on them now.

The first is acknowledging this spotty record and committing in conversations with our partners in the region to learn from them.

Second is to not performatively but substantively engage with high-level officials, which my other colleagues have talked about here. And the Administration has done well thus far.

The third is, when appropriate, to integrate our partners in ASEAN into Quad and AUKUS activities publicly and privately.

Finally—and I will stop here, given time—is to work with our partners to identify and respond to the partners inside of ASEAN that China exploits to its own benefit.

Thank you very much.

[The prepared statement of Mr. Sobolik follows:]



American Foreign Policy Council

Congressional Testimony

Strengthening the U.S. Ties with Southeast Asia

Michael Sobolik

AFPC Fellow in Indo-Pacific Studies

Statement before the House Foreign Affairs Committee
Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation

September 28, 2021



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Chairman Bera, Ranking Member Chabot, distinguished members of the Subcommittee:

It is a privilege for me to appear before you today to discuss strengthening America's ties with Southeast Asian nations. As tensions between the United States and the People's Republic of China (PRC) intensify, longstanding doubts about America's credibility are complicating Washington's foreign policy in this vital region – and pose significant challenges for both Congress and the Biden administration.

SOUTHEAST ASIA AND GREAT POWER COMPETITION

How countries trade off between economic relations with the PRC and military protection from the United States will determine much of 21st Century geopolitics. This tension is especially acute in Southeast Asia. Each government in this region has crosscutting interests that tug toward Washington or Beijing, often simultaneously. No two nations view these trade-offs identically; most, however, seek to retain strategic autonomy – best embodied in and secured by the Association of Southeast Asian Nations (ASEAN).

Over several decades, ASEAN's member states have built a network of forums and dialogues with nations throughout the Indo-Pacific. Through them, they have sought to make ASEAN the region's central diplomatic and political hub, as well as a stabilizing force in a region of relatively weak nations.

It is a vision that Beijing fundamentally rejects. When then-PRC Foreign Minister Yang Jiechi openly taunted ASEAN diplomats about “small countries” and “big countries” in 2010, he was signaling the PRC's contrasting model of hierarchical political order dominated by Beijing.¹

With the notable exceptions of Cambodia, Laos, and to a lesser extent Myanmar, most ASEAN nations are deeply disturbed by Beijing's aggressiveness and are hesitant to tilt decisively toward China. And the U.S. Navy's longstanding presence in Singapore, coupled with its defense treaties with the Philippines and Thailand, have checked gross Chinese adventurism while also serving the interests of Vietnam, Malaysia, and Indonesia.

Given these dynamics, and the threat China poses to many ASEAN member states, it is understandable for American policymakers to hope that friendly Southeast Asian nations will follow Australia's path. Over the past decade, Canberra has shifted from a posture of ambivalence (encapsulated in Hugh White's 2012 book *The China Choice*, which advocated for Washington to strike a grand bargain with Beijing for regional influence²) into a pronounced tilt toward the West. Today, Australia is a member of the Quad (U.S., Japan, India, and Australia) partnership and is procuring nuclear-powered submarines under the auspices of the recently-concluded Australia-United Kingdom-United States (AUKUS) strategic partnership.

¹ Quoted in Ian Story, “China's Missteps in Southeast Asia: Less Charm, More Offensive,” Jamestown Foundation China Brief 10, iss. 25, December 17, 2010, <https://jamestown.org/program/chinas-missteps-in-southeast-asia-less-charm-more-offensive/>.

² Hugh White, *The China Choice: Why We Should Share Power* (Oxford: Oxford University Press, 2012).



Yet, U.S. policymakers have long been frustrated with the unsteadiness and unpredictability of Washington's relationships with many Southeast Asian nations. For instance, despite longstanding territorial disputes between Manila and Beijing,³ the Philippines under Rodrigo Duterte has tilted toward Beijing.⁴ A similar situation prevails with Malaysia; after Washington and Canberra formally rejected China's claims in the South China Sea in 2020, Kuala Lumpur registered similar complaints directly to the United Nations – an unusually strong step for Malaysia.⁵ Yet, on the matter of AUKUS, Malaysia has publicly echoed Beijing's concerns.⁶

To be sure, ASEAN members states do not have the geographic separation from the PRC that Australia enjoys. Their proximity to China necessarily heightens their sensitivity. There is, however, a reality that is often overlooked – at least here in the U.S. – that has contributed to the calculus of Southeast Asian nations: the United States has proven itself a fickle and unsteady ally.

To put it simply, the historical arc of U.S. policy in Southeast Asia has given regional governments ample reason to question America's reliability, commitments, and staying power. Their fears, moreover, have been made more acute in recent weeks by the precipitous U.S. withdrawal from Afghanistan, and by a muting of the Biden administration's early clarity about the need for "long-term strategic competition" with the PRC.

THE VIEW FROM ASIA

When it comes to appreciating Asian perceptions of America's regional role, three case studies merit examination. These episodes, and the picture they collectively paint, raise difficult questions about America's credibility in the region.

The first is America's withdrawal from Vietnam in the 1970s. Here, it's useful to remember that ASEAN was founded in 1967 in the midst of – and in response to – the Cold War. It was intended, in the words of journalist Sebastian Strangio, as "a mechanism by which the small nations of the region could attain some measure of autonomy in the midst of great power competition."⁷ On one hand, its member-states were concerned about threats to their sovereignty emanating from China, which at the time threatened Indonesia, Thailand, Malaysia, Singapore, and the Philippines with ideological campaigns.⁸ On the other, however, their most immediate concern was the civil war in Vietnam, and

3 See Jane Perlez, "In Victory for Philippines, Hague Court to Hear Dispute Over South China Sea," *New York Times*, October 30, 2015, <https://www.nytimes.com/2015/10/31/world/asia/south-china-sea-philippines-hague.html>.

4 Benjamin Kang Lim, "Philippines' Duterte says South China Sea arbitration case to take 'back seat,'" Reuters, October 19, 2016, <https://www.reuters.com/article/us-china-philippines/philippines-duterte-says-south-china-sea-arbitration-case-to-take-back-seat-idUSKCN12J10S>.

5 Michael Sobolik and Dominique Reichenbach, eds., AFPC *Indo-Pacific Monitor* no. 10, August 5, 2020, <https://www.afpc.org/publications/bulletins/indo-pacific-monitor/indo-pacific-monitor-no-10>.

6 "Malaysia to seek China's view on Australia's nuclear sub pact," Reuters, September 22, 2021, <https://www.reuters.com/world/asia-pacific/malaysia-seek-chinas-view-australias-nuclear-sub-pact-2021-09-22/>.

7 Sebastian Strangio, *In the Dragon's Shadow: Southeast Asia in the Chinese Century* (New Haven and London: Yale University Press, 2020), 35.

8 Claudia Astarita, "China's Role in the Evolution of Southeast Asian Regional Organizations," *China Perspectives* [Online], 2008/3 | 2008, Online since 01 July 2011, connection on 10 December 2020. URL: <http://journals.openedition.org/chinaperspectives/4103>; DOI: <https://doi.org/10.4000/chinaperspectives.4103>.



the danger of political subversion from a Soviet-backed, unified Vietnam.⁹

When the United States abruptly pulled out of Vietnam in 1975, ASEAN nations were shocked not that America had left, but the way in which it did so. From ASEAN's founding, Southeast Asian nations had expected America to leave Vietnam eventually. Washington's bungled exit, though, stunned the region and exacerbated the threat of Soviet-backed adventurism and PRC-style subversion operations. It also led to hedging behavior by regional states; a year prior to the American pullout, Malaysia established diplomatic relations with the PRC. After Saigon's fall, the Philippines followed suit. And Thailand reached a similar calculation, normalizing relations with Beijing in a bid to have China help to blunt Vietnam's advance.¹⁰

The second episode of note was Washington's response to the Asian financial crisis of the late 1990s. That crisis followed massive growth earlier in the decade precipitated by the end of the Cold War.¹¹ Beginning in 1997, currency values in Thailand and Indonesia tanked and regional growth halted. Washington, however, did not lend a helping hand – despite having given Mexico aid under similar conditions in 1994. It was only the situation in Southeast Asia worsened and risk of contagion grew that the U.S. pledged \$3 billion to Indonesia's bailout fund.¹²

Even so, ASEAN member-states received the message clearly: the United States was an unpredictable partner in a crisis, perhaps even an unreliable one. That is why Japan responded by suggesting the creation of an Asian-centered and Asian-led institution, the Asian Monetary Fund (AMF), structured differently than the IMF and calibrated to suit the needs and developmental paths of Asian economies. Not coincidentally, Tokyo floated this idea after Washington declined to help Bangkok. Firm Western opposition ultimately killed the AMF, however.

For its part, China exploited the situation, contributing to the IMF loans for both Thailand and Singapore, and also committing over a \$1 trillion of investments in Southeast Asian economies.¹³ In so doing, China built up enormous good-faith with ASEAN and laid the foundation to ultimately lead the creation of AMF-like institutions decades later, including the Asian Infrastructure and Investment Bank (AIIB).

The final episode revolves around America's passivity in response to the PRC's reclamation and militarization of the South China Sea in the 2010s. From September 2013 to June 2015, the PRC created over 2,000 acres of artificial land on disputed features in the South China Sea (specifically the

9 Ang Cheng Guan and Joseph Chinyong Liow, "The fall of Saigon: Southeast Asian perspectives," Brookings Institution, April 21, 2015, <https://www.brookings.edu/opinions/the-fall-of-saigon-southeast-asian-perspectives/>.

10 Ibid.

11 Suthad Setboonsarng, "ASEAN Economic Co-Operation Adjusting to the Crisis," Association of Southeast Asian Nations, November 1, 1998, <https://asean.org/asean-economic-co-operation-adjusting-to-the-crisis-by-suthad-setboonsarng/>.

12 Art Pine, "U.S. to Join in IMF Rescue of Indonesia," *Los Angeles Times*, October 31, 1997, <https://www.latimes.com/archives/la-xpm-1997-oct-31-fi-48574-story.html>.

13 "China's Response to the Asian Financial Crisis: Implications for U.S. Economic Interests," *Congressional Research Service*, March 3, 1999, https://www.everycrsreport.com/files/19990303_98-220_59def0ce26c6f54aab46514fa8663eb8ac2c1951.pdf.



Spratly Islands).¹⁴ In 2016, the Department of Defense upped the figure to 3,200 acres.¹⁵ Further north in the Paracel Islands, China was conducting similar projects.

Beijing made three claims that contradicted customary international law and the United Nations Convention on the Law of the Sea (UNCLOS):

1. That the South China Sea, as defined by China's "nine-dash line," has been the sovereign territory of the PRC "from time immemorial."
2. That, by virtue of this claim, every land feature within the nine-dash line belongs to China – even if it falls within the exclusive economic zone (EEZ) of another nation.
3. That the artificial features China was constructing generated territorial claims, regardless of whether the original features were islands, rocks, or low-tide elevations.

This aggressive diplomacy, linked with *fait accompli* land reclamation, presented serious problems for Vietnam, Malaysia, and the Philippines (as well as Taiwan). While diplomats attempted to address the issue within ASEAN, Beijing exploited its close ties with Cambodia to scuttle any inclusion of the South China Sea in the resulting communique.¹⁶ The episode was a stark example of China exploiting ASEAN's consensus requirement to thwart the diplomatic interests of ASEAN member states.

America's response was twofold: to encourage rival claimant states to submit a case to the United Nations for arbitration, and to engage China diplomatically on the issue. Despite Chinese President Xi Jinping's violation of his pledge not to pursue militarization of the area,¹⁷ the United States moved only belatedly – and then tepidly – to forestall Beijing's gambit. While subsequent U.S. freedom of navigation operations (FONOPs) communicated America's resolve to sail and patrol wherever necessary, China had succeeded in creating new facts on the ground that severely complicated the economic and military calculations of key ASEAN member states.

This background, in turn, casts recent events in Afghanistan in a new and concerning light – both for Washington and for ASEAN.

THE WAGES OF WITHDRAWAL

As the Taliban resurrects its Islamic Emirate, the United States is once again facing the likelihood

14 "Chinese Land Reclamation in the South China Sea: Implications and Policy Options," *Congressional Research Service*, June 18, 2015, https://www.everycrsreport.com/files/20150618_R44072_f366ec875f-807562038948748386312c12acd5f4.pdf.

15 U.S. Department of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2016," April 26, 2016, 13, <https://dod.defense.gov/Portals/1/Documents/pubs/2016%20China%20Military%20Power%20Report.pdf>.

16 Praveen Menon, Manuel Mogato, "Host Malaysia avoids Chinese ire over disputed sea at ASEAN summit," Reuters, April 23, 2015, <https://www.reuters.com/article/us-asean-summit-philippines/host-malaysia-avoids-chinese-ire-over-disputed-sea-at-asean-summit-idUSKBN0NE0TL20150423>.

17 The White House, "Remarks by President Obama and President Xi of the People's Republic of China in Joint Press Conference," September 25, 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/09/25/remarks-president-obama-and-president-xi-peoples-republic-china-joint>.



of terrorist groups operating at will within Afghanistan. Publicly, the Biden administration is downplaying the threat to the American homeland.¹⁸ In private, President Joe Biden is relying on a great power to keep the threat in check: China. According to a readout of recent deliberations between U.S. Secretary of State Antony Blinken and PRC State Councilor and Foreign Minister Wang Yi, Blinken expressed “hope that China will also play an important role” in stabilizing Afghanistan.¹⁹ This account squares with references from Deputy Secretary of State Wendy Sherman about the interests that Washington and Beijing share in Afghanistan.²⁰

Those interests, however, are borne of necessity. With America’s military footprint now virtually nonexistent, and with Washington maintaining precious little leverage over the Afghan militant movement, the White House now has no choice but to rely on the PRC to police the Taliban.

To be sure, China has no interest in seeing terror groups thriving in Afghanistan either. But Beijing also has cynical motives for working with the Taliban, including advancing its genocide against Uyghur Muslims. Because the Biden administration now depends on Beijing in Afghanistan, it may have little choice but to placate Beijing on this, or other, matters.

This situation could create problems for ASEAN member states on a host of issues, particularly the South China Sea. To their misfortune, Washington is doing now what it did forty years ago when it exited Vietnam. The U.S. has once again haphazardly ended a war on the other side of the world and is relying on others – especially China – to pick up the pieces. This time, however, China is not an economic backwater or a military afterthought. It is the world’s second largest economy, by some estimates the largest, and it has the region’s largest and most capable armed forces.

THE WAY FORWARD

Thankfully, there are encouraging signs that Washington is perhaps beginning to learn from these mistakes. The “Free and Open Indo-Pacific” (FIOF) concept that enjoys widespread support from American allies and partners throughout the Indo-Pacific originated from Japan, not the United States.²¹ Whereas the U.S. has ignored Japan’s advice in the past at critical junctures, its adoption and adaptation of the FIOF is positive. Moreover, the Mekong-U.S. Partnership is a recent and positive initiative that channels American aid and investment into a region increasingly struggling with China’s capricious control of the Mekong River.²²

18 Lara Seligman, “Pentagon warns of worsening terrorist threat as Taliban seize Afghanistan,” *Politico*, August 16, 2021, <https://www.politico.com/news/2021/08/16/pentagon-terrorists-taliban-afghanistan-505203>.

19 Ministry of Foreign Affairs of the People’s Republic of China, “Wang Yi Speaks with U.S. Secretary of State Antony Blinken on the Phone at Request,” August 17, 2021, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1899942.shtml.

20 “US sees ‘unanimity’ with Russia, China on Afghanistan,” *France 24*, August 18, 2021, <https://www.france24.com/en/live-news/20210818-us-sees-unanimity-with-russia-china-on-afghanistan>.

21 Ministry of Foreign Affairs of Japan, “Address by Prime Minister Abe at the Seventy-Third Session of the United Nations General Assembly,” September 25, 2018, https://www.mofa.go.jp/fp/unp_a/page3e_000926.html.

22 U.S. Department of State, “The Mekong-U.S. Partnership and the Friends of the Mekong: Proven Partners for the Mekong Region,” Fact Sheet, August 3, 2021, <https://www.state.gov/the-mekong-u-s-partnership-and-the-friends-of-the-mekong-proven-partners-for-the-mekong-region/>.



Even so, policymakers should regularly assess whether Washington's idea of reassurance and credibility aligns with perceptions in Southeast Asia. America's two premier regional initiatives, the Quad (U.S., Japan, India, and Australia) and AUKUS are commendable moves in the context of competition with China. For ASEAN member states, however, both groupings threaten to move regional decisions and deliberations out of the ASEAN diplomatic process. As discussed previously, these new alignments also expose ASEAN's internal divisions and risk further exacerbating them.

America should not curtail the Quad or AUKUS in response to the difficulties ASEAN faces. Both coalitions increase America's military staying power in the region, to the direct benefit of many Southeast Asian nations. Rather, Washington should give its attention to four matters.

First, the U.S. should work to strengthen trust with partners and allies in Southeast Asia by owning America's past mistakes. None of the case studies reviewed here are ancient history. Each episode entails vibrant memories that are alive and well in the region. American diplomats should acknowledge our failures and commit to learn from them.

Second, America must remain engaged in ASEAN – not performatively, but substantively. ASEAN officials have taken note of the recent absence of U.S. presidents from key summits, an issue which President Biden has the opportunity to rectify.²³

Third, the United States should take the initiative in encouraging Quad and AUKUS partners to account for ASEAN interests in their planning and deliberations. Here, process is more important than outcome. Given the structural tensions at play, ASEAN members will inevitably find themselves at odds with Quad optics or AUKUS programs at one point or another. Backchanneling these issues with key ASEAN members states – and even ASEAN itself, when appropriate – could mitigate these issues and build up additional trust over time.

Finally, Washington should expand its policy repertoire in Southeast Asia and begin targeting Beijing's strategic game. To wit, ASEAN's primary weakness is the internal division of its membership on the U.S. and China. Up until now, the PRC exclusively has leveraged this reality to its advantage. For America, coming to the aid of allies and partners within ASEAN begins with increasing political and economic pressure on China-aligned members, especially Cambodia. Policymakers should consider revoking Cambodia's trade benefits under the Generalized System of Preferences, sanctioning additional entities under Global Magnitsky authorities (ideally in coordination with likeminded partners). Additionally, Washington should examine ways to complicate the ability of the People's Liberation Army (PLA) to operate from Ream Naval Base in Cambodia.²⁴ These steps would go a long way toward rebuilding America's credibility in Southeast Asia.

²³ Hau Dinh and Eileen Ng, "Trump skips Asian summits as China set to expand influence," Associated Press, November 14, 2020, <https://apnews.com/article/donald-trump-global-trade-robert-obrien-summits-coronavirus-pandemic-cc0411f8c913bf9f55e5801998ef6ad1>.

²⁴ Craig Singleton, "Beijing Eyes New Military Bases Across the Indo-Pacific," *Foreign Policy*, July 7, 2021, <https://foreignpolicy.com/2021/07/07/china-pla-military-bases-kiribati-uae-cambodia-tanzania-djibouti-indo-pacific-ports-air-fields/>.



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Michael Sobolik joined AFPC as a Fellow in Indo-Pacific Studies in September 2019. His work covers American and Chinese grand strategy, regional economic and security trends, America's alliance architecture in Asia, and human rights. Michael also serves as editor of AFPC's *Indo-Pacific Monitor* e-bulletin, AFPC's review of developments in the region. His analysis has appeared in *The Diplomat*, *Foreign Policy*, *The Hill*, *Jane's Defence Weekly*, *The National Interest*, *National Review*, *Newsweek*, *Providence*, and *RealClearDefense*.

Prior to joining AFPC, Michael served as a Legislative Assistant in the United States Senate from 2014 to 2019. While in the Senate, Michael drafted legislation on China, Russia, India, Taiwan, North Korea, and Cambodia, as well as strategic systems and missile defense.

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Mr. BERA. Thank you, Mr. Sobolik.

I will now recognize members for 5 minutes each. And, pursuant to House rules, all time yielded is for the purposes of questioning our witnesses.

Because of the virtual format of this hearing, I will recognize members by committee seniority, alternating between Democrats and Republicans. If you miss your turn, please let our staff know, and we will circle back to you.

If you seek recognition, you must unmute your microphone and address the chair verbally.

I will start by recognizing myself for 5 minutes.

Ms. Miller, you talked a bit about the importance of economic engagement. And, you know, certainly, as a supporter of TPP, you know, I do recognize the strategic blunder. That was much more a tool of both economic engagement but also geopolitical strategy.

Maybe you can comment—you know, I think it may be a road too far, at this particular moment in time, in getting back into the CPTPP. But, you know, this is something that, you know, certainly I have talked to the ranking member about, and I do think there is some will in Congress in a bipartisan way and a bicameral way, especially if you look at the strong bipartisan vote on USMCA, where you actually had more Democrats in the House voting for that—196 Democrats, I believe 193 Republicans. So there are opportunities to vote on something.

The one area where we have focused a little bit at the subcommittee level is on the digital trade arena. You know, certainly, partners in the region—Singapore, New Zealand, others—have trade deals. You know, if you take the digital-trade chapter out of USMCA, there is a strong starting point there. If you look at the Trump Administration's executive actions in a bilateral way with Japan, there is a starting point there. So it is not as though we have to start from scratch.

Maybe you can comment on, you know, if that is the right starting point. You know, there may be some opening with the Administration, you know, if you listen to some of the comments of Ambassador Tai, as well as the Administration, there might be some opportunities there. And that is something that I think we are thinking about as a subcommittee, potentially taking a lead and sending a signal in a bipartisan way to the Administration.

So your thoughts on digital trade?

Ms. MILLER. Thank you very much, Chairman Bera, for raising that important issue and also important opportunity for the United States.

There does seem to be good momentum building for exploring a digital trade agreement in the Indo-Pacific, both among key stakeholders in the United States and also in the region.

One, I think, particularly useful example to look at, in addition to building on the good provisions in the USMCA and the Japan-U.S. agreement, is the recently concluded Digital Economic Partnership Agreement which was announced by New Zealand, Singapore, and Chile as an agreement to help establish norms to facilitate trade, but, also, it has a particular emphasis on digital inclusion, SMEs, and was negotiated by smaller economies.

Looking through the prism of engagement with ASEAN, I think DEPA is a very useful model for the Administration to consider engaging with going forward. It also has a modular approach to certain provisions, so countries can bite off pieces of the agreement at a particular time, which might make it more digestible and a stronger platform for engaging some of the less-developed ASEAN economies.

It is worth noting in the context of our conversation about China that China has also expressed interest quite recently in potentially joining DEPA. And it is an area where I think it is important for the U.S. to demonstrate some leadership, particularly while we navigate our path forward on CPTPP, which you note, Chairman Bera, will be a difficult and probably long but very important process.

Mr. BERA. Great.

Maybe, Ambassador Shear, I could ask you a question, staying on the topic of economic engagement in the region. One area where we have had conversation with the Indonesians, with the Vietnamese, and others in the region is supply chain redundancy and resiliency. And we have talked to our Quad partners, as well, about strategically investing in the supply chain resiliency.

Your thoughts on how important that would be, you know, and doing that in a strategic way?

Mr. SHEAR. I think it is extremely important.

Supply chains have been moving to Southeast Asia, particularly places like Vietnam and Indonesia, for some time. This trend accelerated with the COVID pandemic, and I expect it to continue in the future. So Southeast Asian countries like Vietnam, Indonesia, Singapore, the Philippines, Thailand will all become stronger exporters to the United States and more integrated members of critical supply chains.

And I think engaging these countries in discussions on supply chain security not only speaks to their interest in economic development but speaks to both our sides' interest in increased supply chain security.

This is a very strong way for us, I think, to interact with the Southeast Asians, and I think it is a strong way for us to interact with our like-minded partners and allies, like Japan and Australia. So I think that the stronger this item in our agenda is, the better.

Mr. BERA. Great. Thank you.

And I notice I am out of time, so let me go to recognize the ranking member, Mr. Chabot, for 5 minutes.

Mr. CHABOT. Thank you, Mr. Chairman.

Mr. Sobolik, I will start with you. As I mentioned in my opening Statement, I am co-chair of the Philippines Friendship Caucus. And I would like to know what we could do to better support the Philippines, to help them push back on China's gray-zone aggression. Specifically, they face constant harassment from the so-called Maritime Militia.

What security support or means can we use to help the Philippines with this challenge?

Mr. SOBOLIK. Sir, thank you so much for that question.

The crux of our response with the Philippines, specifically, has to be strengthening our Enhanced Defense Cooperation Agreement

with Manila. This was established back in 2014. Given the recent tensions surrounding human rights, Global Magnitsky sanctions that have targeted President Duterte's close associations, this agreement has been slow to come into actuality.

But getting our troops and our assets rotating regularly in and out of pre-specified military bases throughout the Philippines gives us a presence beyond what we already have—a strengthened presence with the Philippines, and a cooperative one at that. And I think it not only sends an important signal to China, it is a material action.

So, whatever we do to reinforce our commitment, that has to be the crux of it.

Mr. CHABOT. Thank you.

Let me go a little bit beyond the first question. I will stick with you, Mr. Sobolik, for the time being.

China's aggressive behavior in the South China Sea has been concerning for, you know, quite some time. You know, they have repeatedly sought to enforce their bogus sovereignty claims against Vietnam, Malaysia, and, as I mentioned, Philippines.

What support, whether political, military, or otherwise, can we provide to help our partners uphold their rights against the PRC's bullying?

Mr. SOBOLIK. It starts with, to an extent, doing what we are already doing, sir. The freedom-of-navigation operations are good; going beyond that, though, is important. Because it is clear, given recent pronouncements from China, not only that they are more fully engaging gray-zone tactics with their coast guard, they are also trying to reinforce their claims within their own nine-dash line, which of course we reject.

I think one of the most creative and admittedly difficult but good things we could do is involve our own Coast Guard more in the South China Sea. If our goal is to deter adventurism without risking escalation, meeting capability for capability and service for service can be a good way to do this. And there is starting to be a little more research about this area coming out of integrating our Coast Guard assets more and more, and I think it is worth studying.

Mr. CHABOT. OK. Thank you.

Professor Shear, let me turn to you now. I am a believer and I am glad that this Administration has entered into AUKUS, the new partnership. I think it is an important idea. The reaction throughout the ASEAN countries has been a bit mixed, as you know.

How could this partnership and also the Quad—how is that being viewed? And what can we do to strengthen both those partnerships?

Mr. SHEAR. Thank you, Congressman. That is an important question.

Clearly, ASEAN centrality is an important theme in whatever ASEAN Statesmen and Stateswomen say about regional stability and security, and we need to respect ASEAN centrality.

However, given ASEAN's divisiveness and lack of unity, we need to look for alternatives to bringing our influence to bear on the region. I think we need to do that bilaterally with important indi-

vidual ASEAN partners, and we need to do it multilaterally, and I think the Quad and AUKUS are key tools for us to do that.

As I said in my Statement, the AUKUS pronouncement sent a strong signal to the region about our commitment. The ASEANs, I think, given their devotion to ASEAN centrality, have to react in a lukewarm fashion publicly, but I think privately they will welcome the Quad, they will welcome the creation of AUKUS.

This gives them more leverage vis-a-vis China. When the Southeast Asians know that the Americans and their allies and partners are strongly engaged in the region, this gives them the confidence they need to bring leverage to bear on the Chinese, to get what they want, and to pursue their interests in a free and open way.

Mr. CHABOT. Thank you.

Mr. Chairman, my time has expired, but let me join with you and Ms. Miller relative to her TPP comments and just say that, when the leaders of our two parties back in 2016 both decided to oppose this, the term “shooting ourselves in the foot” comes to mind. And we put the PRC in a position where they are now trying to get in there and write the rules to replace the United States. And that is just—you know, that is just a boneheaded thing, for us to be in that position. And so I commend you for supporting it, as I did, Mr. Chairman.

And sorry I didn’t get around to you, Ms. Miller, but I agreed with your points on TPP.

Thank you, and I yield back.

Mr. BERA. Great. Thank you.

Let me now recognize the gentleman from California, Mr. Sherman, for 5 minutes.

Mr. SHERMAN. Thank you.

It is appropriate that we are having a hearing on Southeast Asia. Naturally, we have Southeast Asia experts. What tends to happen, then, is that people who focus their lives on Southeast Asia push for a policy that is measured by, “Does this help us in our relationships in Southeast Asia?” When we talk about trade, we have to balance, “Is this good for our relationships in Southeast Asia, but what effect does it have on small towns in Ohio?”

And I know that one of our witnesses talked about how we can more effectively import from Southeast Asia. We have the largest trade deficit in the history of mammalian life on this planet, and I think it is important that we focus even more attention on how we can export to Southeast Asia.

The value of the dollar as a worldwide reserve currency is certainly not helped by us having the charade we are having here about whether we will even pay our bills, nor is it helped by the trade deficit.

Likewise, with regard to aid to countries in Southeast Asia, experts in Southeast Asia say, “Well, help everybody, and then, if somebody does it wrong, maybe we will give them a little bit less.” That gives us the most leverage if you are giving money to Southeast Asia. The more you give, the more leverage you have; you might take it away. But every dollar that we give to the Government of Myanmar/Burma is a dollar we are not spending on the truly needy in Africa, for example.

And so I would like our witnesses to focus on the Rohingya. We were all, those of us who focused on human rights for decades—I met with Aung San Suu Kyi several times. We were all inspired by her. And now she is the apologist for a policy of ethnic cleansing, if not genocide. And, actually, I think it is genocide.

I have suggested in this hearing that we ought to look at the international border, that the Government of Myanmar/Burma can't defend its own people. Now, that is a radical step, but there is only one change of international border that the United States has supported in this century, and that was the creation of South Sudan. And we did so as a result of acts of genocide, probably less in terms of the numbers of casualties and displaced people than what the Rohingya have seen.

So I will ask Mr. Shear: Should we be providing aid—obviously we should be providing aid to the refugees. But should we be providing aid that provides for the economic development of Burma/Myanmar at a time when it refuses to provide citizenship documents and protection for the Rohingya people?

Mr. SHEAR. Thank you, Congressman. That is a critical question. And I would like first to address the Rohingya issue.

I think, as we move forward and increase the pressure on the military regime in Burma, the Tatmadaw, I think we need to continue providing assistance to the Rohingya. We need to continue focusing on their horrific condition in camps throughout the region. There are over 700,000 Rohingyas in Bangladesh alone, in Cox's Bazar.

Mr. SHERMAN. Uh-huh.

Mr. SHEAR. And we need to avoid the phenomenon of donor fatigue with the Rohingyas. So I think, as we—

Mr. SHERMAN. The comment I would make is, the fact that we are still providing tens of millions of dollars to help the Government of Myanmar/Burma achieve its economic objectives is a stain on the morality of the United States. If a government is engaging in genocide and ethnic cleansing, to say, "Well, we are giving them less money than we used to" is an inadequate response.

But go ahead.

Mr. SHEAR. Well, I agree that we need to limit all the resources we can that go to the military regime. I think we need to be discriminating, though. As I said in my Statement, we need to keep the Burmese people on our side. We need to make sure that the measures we take to inflict pain on the military regime don't also excessively inflict pain on the Burmese people.

Mr. SHERMAN. Every dollar that we spend helping improve the economy of Myanmar/Burma increases the power of the regime and is taken away from the poor people in other places in the world, particularly Africa.

I yield back.

Mr. BERA. OK. Thank you.

Let me now recognize the gentleman from Pennsylvania, Mr. Perry, for 5 minutes.

Mr. PERRY. OK. Thank you very much, Mr. Chairman.

And I guess my first question, at least, is going to go to Mr. Sobolik, and it is in regard to Duterte in the Philippines.

He chose to terminate the visiting forces agreement some time ago but has recently, as I understand it, reinStated that. And I am just wondering if you can describe to us whether you think this, kind of, shift back toward the United States and away from the CCP is real or is just a small calculation, if it has any long-lasting endurance or if this is completely fragile and just a momentary decision on Duterte's part to, kind of, advance some leverage that he might perceive that he could have regarding the CCP.

Mr. SOBOLIK. Congressman, thank you for that question. It is very important.

President Duterte was highly opportunistic with his decision to hold the visiting forces agreement hostage. His threat to do so came shortly on the heels of human rights sanctions, as I mentioned earlier. And I and certainly several others interpreted his anger and his focus on the VFA as his response, not necessarily to pull the trigger on the agreement, but for domestic reasons and, frankly, for balancing regions against China to build some political space for himself. And it became pretty apparent in late 2020 that he was going to punt his decision on VFA into the Biden Administration. And shortly after the Biden Administration taking office, he signaled his complete support once again for the VFA.

And I think, in some ways, Duterte's behavior, while he is certainly a unique individual, is not that unlike the calculations that many Southeast Asian countries will make from time to time, caught between two great powers, as they are.

Mr. PERRY. OK. Thank you.

And then, you know, just expand on that a little bit before my next question. So, you know, it seems like he remains opportunistic and that he doesn't necessarily, in any way—maybe it is just based on who is in the White House at the time and how he perceives things, but he definitely can't be counted, in any meaningful way, in the camp of the United States or the West. Would that be a reasonable, kind of, overarching theme?

Mr. SOBOLIK. I would certainly say that President Duterte himself does not fit into the mold you just described, but I would also say that the defense architecture within the Government of the Philippines is highly supportive of the defense cooperation they have with the United States. And putting the President aside for the moment, which I know can be a significant ask whenever addressing these things, but putting him aside for the moment, the relationship is quite strong, and there is a lot of ground to build upon.

And Duterte has proven himself to be pretty shrewd and cunning, and he will tilt toward America when it serves his interest, toward Beijing when it serves his interest. But the good news for us in the midst of that is, the underlying foundation of the relationship does not appear to be fragile.

Mr. PERRY. OK. Thank you.

And then I am just curious, you know, from a regional standpoint, regarding the CCP and Taiwan—you know, the CCP, as they lose—no. There are obviously billions of people in China, but they are still going to suffer a loss of male workers, male people in industry and business, just based on demographics. Do you see that

being a pressure point that Xi would seek to—it would force Xi into making a decision regarding Taiwan earlier?

Or do you think that they literally feel like they can manage that and everything else that they are seeking to accomplish—you know, regional and international hegemony, et cetera? Do you think that they feel they can manage it, or do you think that they see that as something that is going to be very, very problematic by the end of the century?

Mr. SOBOLIK. Congressman, that is the million-dollar question, is it not? I think you are right to bring up demographics as a long-leading indicator in PRC calculus. Not only unemployed males, but the gender disparity between men and women in China as well, which—I recognize your time is up, but it is a very important question to be asking, yes.

Mr. PERRY. Thank you, Mr. Chairman. I yield the balance.

Mr. BERA. Great.

Let me go and recognize the gentlelady from Nevada, Ms. Titus.

Ms. TITUS. Thank you, Mr. Chairman.

Thank you to our witnesses. It is very interesting information.

I would like to ask Ms. Miller, just kind of expanding on some of the things the U.S. can do to be helpful in the region, besides just economic trade agreements. One thing that we know is that Southeast Asia is one of the world's most heavily contaminated regions with deadly unexploded ordnance. U.S. legacy cluster munitions from the Vietnam War are in Laos and Cambodia and in Vietnam, and they continue to cause civilian deaths or casualties to this day, and they make some of the productive land potentially out of use.

If you travel over there, especially in Cambodia, on the streets of the city, you see these little pickup vans of people missing limbs begging on the streets. They are all victims of these mines that haven't been eliminated.

We have a de-mining program, and I think it serves as a positive example of our leadership and what good things we can do to support communities. Could you comment on how things like that can better help our relations in the area as we try to combat the, kind of, insidious influence of China?

Ms. MILLER. Congresswoman Titus, thank you for your leadership on this issue and for raising this question.

I think it is an excellent example of a platform that has helped to facilitate our relationship in Cambodia but also, importantly, in Vietnam, which came from a very low bar when I first started working on Vietnam relations almost 20 years ago to where we are today, where we have a close relationship across a range of issues.

And part of the success of the normalization of our relationship was based on trust-building exercises such as you described in terms of de-mining and finding the remains of American soldiers in the region and returning them to the United States.

I think, importantly, your question also signals that we need to have a strategy that allows us to engage some communities and societies in these countries. Not only the elites in the government, but we need the American presence and our positive contributions to the region to be understood broadly throughout civil society in

Southeast Asia. And these kinds of programs are an excellent example of that.

There are many others that I would commend to the committee's consideration for further enhancement, including YSEALI. The Young Southeast Asia Leaders Initiative programs, particularly to engage young people, I think, are very important for our standing and our relationships in the region going forward.

Ms. TITUS. Well, thank you. I am glad to hear that. I hope we can put some support behind NDI, IRI, those kinds of programs that could come from that side of our, kind of, soft diplomacy.

One other thing I think that we could be doing better is on climate change. With the new relationship—the, kind of, redone Global Climate Risk Index shows that some of these countries are the worst in the world from being affected by climate change. I think it is called the Mekong River Commission that is composed of Cambodia, Laos, Thailand, and Vietnam. Is that not another way that we can better collaborate and cooperate with some of these countries on issues that affect the planet but affect their economies as well?

Ms. MILLER. Thank you, Congresswoman. I absolutely agree with that Statement and know from conversations with Southeast Asian leaders and civil society and environmental groups that the threat of climate change is top of mind for countries throughout the region.

There have been several studies issued, as you note, that identify Southeast Asia as one of the parts of the world that will be most critically affected due to rising sea levels and flooding, particularly in the Mekong region. U.S. participation in the Lower Mekong Initiative is a really important part of our engagement in the region.

And there is room to do more, I think, on climate change. I know Secretary Kerry has dedicated much of his career to normalizing the U.S. relationship with Vietnam. He knows that part of the world very well. And I think there is a lot of scope for enhanced engagement and interest on both sides in deepening that part of our cooperation, both in terms of mitigation, but, also, adaptation is going to be very important to the region's economic prospects going forward.

Ms. TITUS. Well, thank you very much, Ms. Miller.

Mr. Chairman, maybe we can pursue that as something this committee could take up and look into further, perhaps help with. I yield back.

Mr. BERA. Thank you very much. And we will take that under consideration, because obviously it is very important to the region.

Let me now go and recognize the gentlelady from Missouri, Mrs. Wagner, for 5 minutes.

Mrs. WAGNER. I thank you, Mr. Chairman, for organizing the hearing to examine the strategically critical relationship between the United States and Southeast Asia.

As co-chair of the congressional Caucus on the Association of Southeast Asian Nations, or ASEAN, I strongly believe we have a national interest in sustaining U.S. leadership in Southeast Asia, supporting human rights and respect for democratic freedom, and articulating our strategic priorities.

We will find willing partners in our many friends and allies in the region who share our grave concerns regarding the belligerence and the growing power of the People's Republic of China.

Yet the PRC, eager to undermine U.S. interests in the key region, is aggressively working to expand its influence in Southeast Asia. It seeks to exploit its predatory investment, development, and trade policies, illegal military installations in the South China Sea, and disinformation campaigns to coerce countries to accept its agenda.

Nowhere are the high stakes of the competition between China and the United States clearer than in Southeast Asia, where the Chinese Communist Party is fostering a resurgence in authoritarianism and oppression. It is imperative that the United States show strong and consistent leadership in Southeast Asia to secure a future in which the rule of law, free and fair trade, and democracy underpin relations among Indo-Pacific States.

Beijing allows its State-owned enterprises, or SOEs, to borrow at an extremely low interest rate from public financial institutions. And, as a result, these SOEs have dominated project bids in Southeast Asia, a primary target of the Belt and Road Initiative. I am deeply concerned that these policies are designed to draw Southeast Asian countries into Beijing's sphere of influence.

And, Ms. Miller, how should the United States work with Southeast Asian countries to prevent SOEs from boxing out more responsible, let's say, investors?

Ms. MILLER. Thank you very much, Congresswoman Wagner, for your question and also your leadership of the U.S.-ASEAN Caucus. It is a really important conduit for engagement with the region.

And you asked a really important and complicated question. Oftentimes, the United States is compared to China's activities in the region in an apples-to-oranges way, when, in reality, our economies are fundamentally different, and how we organize ourselves around our economic engagement and commercial diplomacy is very different.

In the light of the tremendous amount of resources that China has allocated to the region for these projects, I think it is really important for the United States to prepare and to be an alternative; to work with our partners in the Quad, which has infrastructure as a focus area, and our partners in ASEAN to help countries improve their capacity to negotiate infrastructure deals that are transparent and adhere to international standards; and for the United States to work with our partners to provide alternative means of financing some of these infrastructure projects.

Mrs. WAGNER. Thank you.

Ms. MILLER. Southeast Asia—oh. Thanks.

Mrs. WAGNER. Thank you so much, but I have limited time here.

The United States, Japan, Australia, and India are joining forces, frankly, in an unprecedented degree, to promote a free and open Indo-Pacific region. I believe we should welcome this, kind of, revitalized Quad partnership. However, I understand why Southeast Asian countries may feel that the recent focus on the Quad leaves them vulnerable to China's influence operations.

Mr. Sobolik, what role should ASEAN countries play in the United States' Indo-Pacific strategy?

Mr. SOBOLIK. Representative Wagner, thank you so much for that question.

I think you are right to bring up potential tensions between the Quad and ASEAN. I think one way to potentially square that is to begin, behind closed doors at first, to back-channel upcoming Quad actions, not only with ASEAN member States bilaterally but through ASEAN specifically, and begin to communicate very intentionally that we see no tradeoff between our engagement with ASEAN and our engagements with the Quad.

And I think that is going to be a very important message for ASEAN and for ASEAN member States to receive from us.

Mrs. WAGNER. I think you are absolutely right.

My time has expired, Mr. Chairman, so I am going to yield back. I have several more questions, but I shall submit them for the record.

Mrs. WAGNER. Thank you all for being here.

Mr. BERA. Thank you, Mrs. Wagner.

Let me now recognize the gentleman from Michigan, Mr. Levin, for 5 minutes.

Mr. LEVIN. Thanks so much, Mr. Chairman, for your great leadership of this subcommittee and having another important hearing.

I want to try to get to COVID-19 and climate change. So, starting with COVID-19, Southeast Asia continues to struggle with containing the pandemic and particularly with the spread of the Delta variant.

So let me start with you, Ambassador Shear; others may weigh in.

Have certain countries been more successful in their approaches to COVID? And if yes, what has been the key or keys to their success? And could those steps or systems be replicated elsewhere?

And then, beyond additional vaccine donations, what are some ways that the U.S. can support Southeast Asian countries in their fight against COVID?

Mr. SHEAR. Thank you, Congressman Levin, for that very important question.

I think the country that is known to have done among the best in Southeast Asia in combating the pandemic is Vietnam. And they implemented some very rigorous and, some might think, rigid ways of containing the virus. They promoted lockdowns. They banned travel to and from the country, as many others have. They require testing, to the extent that they have been able to provide test kits, and rigorous contact tracing.

So the Vietnamese have been very zealous in the way in which they have limited social contact and, some might say, sacrificed civil liberties in order to contain this virus.

Mr. LEVIN. Uh-huh.

Mr. SHEAR. And I think what the Vietnamese experience demonstrates for us is the importance of social cohesion. All of the methods they may have used might not be applicable, certainly, in the United States. But, certainly, the high level of social cohesion in Vietnam certainly contributed to their relatively successful management of the virus.

Now, they have been hit more strongly by the Delta variant. They have had an uptick of cases. I think the Vice President's trip

recently, her stop in Vietnam, resulted in important increasing cooperation between Vietnam and the United States. She donated another million doses of the vaccine to the Vietnamese, which brought our contribution to Vietnam, I believe, up to 5 million doses.

And, for the long term, more importantly, we established a CDC center in Vietnam, which will assist the Vietnamese and the region not only in combating the pandemic but hopefully preventing future pandemics as well.

Mr. LEVIN. OK. Thank you very much.

Let me try to hit my climate-change question. Maybe I will give Ms. Miller the first shot at this.

Obviously, climate change is really a huge issue for Southeast Asian nations. It is one of the regions that is most vulnerable to the harmful effects of climate change. So what can the U.S. do to support regional actors in addressing climate-change challenges that threaten their economies, particularly maritime Southeast Asian nations?

And, you know, I have been on this kick about—I hear so much talk about Belt and Road, and I feel like a lot of the talk about it is very anxious and defensive, when I think we should have a big-hearted, broad-shouldered American response where we don't react but we say, "Wow, these countries need to change—we all do—everything about how we get our power, transportation, everything," and that we ought to get in there and partner with them to create a lot of jobs by deploying mass amounts of offshore wind, solar, and so forth.

So thoughts on that? I didn't leave you a lot of time, but I would like to hear your thoughts on it. Maybe the chairman will be a little indulgent. Go ahead.

Ms. MILLER. Thank you, Congressman Levin, for your question and your interest in that issue, which is very important to Southeast Asians.

I think there are a lot of things that the U.S. can do, particularly working with our private sector. As you note, there is a tremendous need in the region for infrastructure development, especially to deal with the impact of climate change, and for technologies to help with having urbanization that doesn't, you know, rapidly increase the region's emissions profile.

Southeast Asia's middle class is targeted to double between now and 2030, which will have a huge impact on consumption, and the U.S. has a lot of technology and a lot of innovations that can be deployed to help manage that challenge. And I think it is definitely an area that warrants further investment on both sides.

Mr. LEVIN. OK.

Thanks, Mr. Chairman. I will yield back.

Mr. BERA. Great. Thanks.

And I don't see Dr. Green on camera, so let me go next to the gentleman from Kentucky, Mr. Barr.

Mr. BARR. Thank you, Chairman Bera. I appreciate this hearing. Very excellent hearing. And I very much appreciate—can you hear me OK?

Mr. BERA. I can. I am going to recognize Mark Green because he just—

Mr. BARR. Oh, is he back? I am sorry. OK.

Mr. BERA [continuing]. Since you just started.

So let me go ahead and recognize the gentleman from Tennessee, Dr. Green, for 5 minutes.

Mr. GREEN. My apologies, Mr. Chairman, and, of course, my apologies to my colleague from Kentucky.

It is interesting; I went to West Point in 1982, only 7 years after the fall of Saigon, and a lot of the guys who taught basic training for me had fought in the Vietnam War. The United States military has this tendency to become really, really good at and study really, really well the last war we fought. And it is something we need to be better about, obviously. I think we are trying our best to be better at that.

But I say that to say, when I was at the academy, I mean, we were studying Vietnam, we were studying the people, we were studying how the war was fought there, the mistakes that the United States made, and it created for me a real heart for the people.

My West Point classmate actually served in the MIA Commission and traveled all over Laos and Vietnam trying to find the Americans that we were not able to bring home.

Again, just have a huge heart for that part of the world. And when I was a young lieutenant, I took some master's programs in developing nations with a focus on Southeast Asia. So this conference, Mr. Chairman—or this committee hearing is fantastic, and I really appreciate it.

My questions are, of course, much like everybody else's, you know, China and near-shoring and all the things that are impacting our relationship with Southeast Asia.

My first question, to Mr. Sobolik: There is no doubt that America's supply chain is overly reliant on China. With regards to re-shoring and near-shoring efforts, how can we reduce our reliance on China with minimal impact and disruption, with this massive shift that has been going on for some time to Vietnam and to other countries in Southeast Asia?

Mr. SOBOLIK. Representative Green, thanks so much for asking that question. It is one of the most important ones not just economically but geopolitically right now.

I think the reality is, at some level, there is going to be some uncomfortable disruption. And I think one of the complicating factors of that is, it is difficult to say for certain which countries and which interest groups are going to get the brunt of that.

But I think a few things are important as we talk about re-shoring and near-shoring, as you put it.

The first one is going to be a consistent message to our Southeast Asian partners that, of course, fair trade matters a great deal to the American people, as successive elections have demonstrated, but the United States still does believe in free trade. And I think the reality is that our friends, allies, partners in Southeast Asia are going to be the greatest victors of free trade moving forward, or at least one of the greatest victors, and reap the benefits of free trade. And it is to our strategic benefit that we near-shore a lot of the manufacturing we have relied on from China to our friends, allies, and partners there.

And it goes to this fundamental tension that we have been discussing directly and indirectly during this whole hearing, which is ASEAN's economic reliance on China on the one hand and, on the other hand, their security dependence on us. And we obviously need to play both sides of that equation, not just reasserting our dependability with defense but easing their economic dependence on China however we can.

Mr. GREEN. You know, the questions that I have—because, clearly, we want some near-shoring to happen. We see, you know, China's commodity boom created a run on the currencies in Latin America. And I am the ranking Republican on Western Hemisphere, so this is, sort of, my area. And, in so doing, they made manufacturing in Latin America much more expensive relative to Chinese manufactured goods.

And so the manufacturing sector in Latin America took a massive hit in this desire for—I think a bipartisan desire. I just made a trip with Albio Ceres to the Dominican Republic. And so there is this bipartisan desire to see some manufacturing come back to Latin America.

One of the big concerns is, you know, the supply chain for parts when something is assembled. And I would be interested in understanding a little better how particularly the Southeast Asian countries are going to feel about, and what their thoughts are going to be in support of, being the initial, sort of, parts manufacturer that then get reassembled in Latin America, as opposed to reassembled in China—what impact and how they are going to look at us after we try to pull that off.

Mr. SOBOLIK. Sir, that is a fantastic question. In full transparency, it is one I haven't given a whole lot of time to. So, in respect to you, if you are OK, sir, I would rather take some time and circle back with your office and give you a better answer than try to give you something now.

Mr. GREEN. Very much so. Appreciate it.

And I yield, Mr. Chairman.

Mr. BERA. Great. Thank you.

Let me recognize the gentlelady from Pennsylvania, Ms. Houlahan, for 5 minutes.

Ms. HOULAHAN. Thank you, Mr. Chair. And just confirming that you can hear me?

Mr. BERA. We can.

Ms. HOULAHAN. Perfect.

And thank you so much to everyone for joining us today.

My questions are going to focus largely on Vietnam, and I will also likely run out of time, so I would like to submit the rest that I am not able to get to for the record.

I am, as many others have talked about, really concerned about supply chains and our dependency on China. Specifically, I am going to focus on rare earth elements.

For the Ambassador, sir, Vietnam is one of the top 10 largest sources of rare earth elements in the world, and we really need to figure out a way to overcome China's near-monopoly on rare earth elements. And Vietnam and Japan apparently co-launched a joint research center in Hanoi to improve extraction and processing of these materials.

I was wondering if you might know what impact the Rare Earth Research and Technology Transfer Centre has been having in Vietnam and Japan in terms of diversifying their supply of rare earth elements away from China and if there are any pathways for the U.S. And the economies of Southeast Asia to reduce their reliance on Chinese rare earth elements in the supply chains.

And, last—I know I have a lot of questions, but this is just one of them—how can we as the U.S. effectively support research efforts across the region and particularly in Vietnam to identify substitutes or to develop approaches to reduce the amount of these elements that are required or to recycle, reduce, and reuse them?

Mr. BERA. Ambassador Shear, you might be on mute.

Mr. SHEAR. Congresswoman, thank you for that important question. It is, of course, a question that touches on the supply of all electronic parts globally, since rare earths are critical components of electronic parts. And the world has been looking for alternatives to the Chinese supply since they slapped an embargo on the export of rare earth elements to Japan, I believe in 2010.

The Vietnamese certainly are eager to help fill the demand. As you say, they have generous endowments of rare earth minerals. I think they would welcome investments in that industry not just from Japan but from the United States as well.

When I was in Vietnam, I encouraged Vietnam-Japan cooperation across the board, including on rare earth minerals. And I think it offers us an opportunity to expand the supply, move at least portions of the supply away from China. I think we need to be doing that globally as well as just with Vietnam.

Ms. HOULAHAN. And, Ms. Miller, you also spoke a little bit about Vietnam in your opening remarks. Do you have anything further to add in the area, specifically, of rare earth elements and reducing our dependence and, frankly, Vietnam's dependence on China in the pathways to process and develop these critical materials?

Ms. MILLER. Thank you, Representative, for your question. Perhaps I will just briefly add on to what Ambassador Shear said, in that Vietnam, as a matter of strategic priority, is interested in decreasing its dependence on China, and I think any opportunities to work with the United States and Japan in this area would be very welcomed on the Vietnamese side.

Ms. HOULAHAN. Could I ask you to be specific on what kind of options you see for us to be able to help Vietnam move up the value chain and to diversify and to not be so dependent?

My impression is that there is a lot of cross-border supply chain issues going on—origin of China, maybe processing in Vietnam, and then maybe going backward into China for further manufacturing. Is there anything that we can be doing specifically to be more helpful to be able to advance Vietnam's, kind of, standing on the supply chain ladder?

Ms. MILLER. Representative Houlahan, on the rare earth side, let me come back to you with a more detailed explanation, as I am not following that issue very closely.

But I think, in terms of overall supply chain diversification, the relationship between Vietnam and China is very close, particularly as many industries have moved into Vietnam from southern China

as their costs have risen and, in some cases, to access other markets.

There is an opportunity, I think, for the U.S. to continue to strengthen our trade relationship with Vietnam. It has become increasingly important for a number of our manufacturers who are seeking to diversify their own supply chains out of China. And a big piece of that is working to help improve the overall business environment and the trade relationship between our two countries.

Ms. HOULAHAN. And I thank you all, and I know I have nearly run out of time. I would like to submit the balance of my questions for the record. And I would specifically really like to find out some better information on the Rare Earth Research and Technology Transfer Centre and see if we might be able to suss out how effective or ineffective that is.

Ms. HOULAHAN. And, with that, I yield back. Thank you, Mr. Chair.

Mr. BERA. Great. Thank you.

Let me now recognize the gentleman from Kentucky, Mr. Barr.

Mr. BARR. Well, thanks again, Mr. Chairman, for holding this very important hearing and to our excellent witnesses. Very insightful testimony.

Let me start with Mr. Sobolik about your written testimony related to Afghanistan and the impact that our withdrawal from Afghanistan has had in exacerbating this point of testimony that you have that, quote, “the United States has proven itself a fickle and unsteady ally.”

This is concerning to me with regard to U.S. efforts to bring ASEAN countries closer to the United States and drive a wedge between us and the People’s Republic of China. I think your point is that geographic proximity is not the only problem here. And in the wake of the United States’ retreat from Afghanistan, we have seen the CCP capitalize on fears that the United States would not honor our obligations to protect our allies and partners. You cite the historical example of the withdrawal from Vietnam as another problem.

But how has the Afghanistan debacle affected our credibility with partner nations in the region? And do these ASEAN countries, particularly the Philippines, who have to regularly combat incursions in the South China Sea by China—how do they still view the United States as a legitimate and trustworthy security partner in light of Afghanistan?

Mr. SOBOLIK. Representative Barr, thank you very much for that question. I will dive into parts of my testimony, in responding to you, that I wasn’t able to share with the full committee earlier on.

The fundamental problem that the United States has with our withdrawal from Afghanistan is that we are now largely dependent on China, and to an extent Russia as well, to police the Taliban and to lean on them to crack down on terror groups operating inside of Afghanistan. And to put a really fine point on it, we are relying on other great powers who are adversarial toward us to prevent the next big terrorist attack inside of America, which then imposes significant limitations on our ability to compete effectively with the Chinese Communist Party.

And we are seeing some of these dynamics come to fruition not just because of the lost leverage we have with Afghanistan but because of this Administration's understandable desire to cooperate with the PRC on specific issues like climate change or others.

The reality, though, which I believe is becoming clearer, especially in the wake of the United Nations General Assembly speeches, Xi Jinping's commitment to not fund coal manufacturing anymore, how that was a product of John Kerry's negotiations, we are starting to see some give-and-take and some breaking ground between Washington and Beijing. And my fear is that the cooperative agenda is starting to overtake the competitive one.

Now, what this means, potentially, is, even though we have great defense agreements like AUKUS, we have great things like the Quad on the defense side, on the human-rights side and, frankly, the counterterrorism side, we are losing leverage to the Chinese Communist Party, which makes it difficult for us in the gray zone to actually be active and proactive in defending our Southeast Asian partners day to day.

Mr. BARR. Thank you for that.

In my remaining time, let me just reclaim my time and ask specifically about Singapore to any of our witnesses.

As you know, we do have a strong relationship, especially in the economic relationship with Singapore. They are the wealthiest ASEAN member, accounting for 80 percent of the U.S. ASEAN FDI. And the majority of U.S. services exports to and imports from ASEAN countries is Singapore.

But it is troubling to hear the Singapore Foreign Minister talk about, "Viewing China purely as an adversary to be contained will not work in the long term."

What can we do? Are there specific areas that the United States can bring Singapore further into the orbit of the United States? How are we seeing Beijing attempt to undermine our relationship? What do we need to do to further integrate our economies to, again, bring them closer to us as opposed to China?

How about, Ambassador, could you answer that?

Mr. SHEAR. I would like to take that on, Congressman, because I think it is a fundamentally important question.

Our relationship with Singapore is very strong. When we pulled out of Philippines, the Singaporeans very adroitly, I think, offered us facilities in Singapore to station some of our forces. We continue to have rotational forces in Singapore. Singapore also hosts a Navy logistics command.

I think we need to encourage Singapore to cooperate more closely, possibly to host more rotational forces, while recognizing the limitation that Singapore's instinct to balance the U.S. and China is. I think we need to push the envelope, but we don't know how far we can go yet.

Mr. BARR. Which ASEAN country is most likely to be a candidate in the future to join the Quad?

Mr. SHEAR. With regards to partnership with the Quad, I think we should put priority on the Philippines, Vietnam, Singapore, and Indonesia. In fact, I think we should put priority on those four countries in all of our approaches to ASEAN and Southeast Asia.

I think the Philippines may be more likely, in the long run, perhaps after President Duterte leaves, to cooperate with the Quad. I think we can elicit gradual, incremental cooperation from Vietnam and Singapore.

But we are going to have to be patient, we are going to have to settle for incremental steps, and we are going to have to be adept in the way in which we propose these activities to the Southeast Asians——

Mr. BERA. I was just going to say, the gentleman's time has expired.

Mr. BARR. Thank you.

Mr. BERA. I appreciate the Ambassador's thoughts.

And let me recognize the gentleman from Virginia, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you for having this hearing.

And thank you to our witnesses, all thoughtful.

Mr. Sobolik, just real quickly, you said there were three major events that, sort of, influenced the attitude toward the United States in the Southeast Asia region. The first was our withdrawal from Vietnam after that costly war. Remind us what the other two were.

Mr. SOBOLIK. With pleasure, Congressman. Thank you so much for asking. The other two were the Asian financial crisis in 1997——

Mr. CONNOLLY. Yep.

Mr. SOBOLIK [continuing]. And our delayed response to China's reclamation and militarization of fake islands in the South China Sea.

Mr. CONNOLLY. Thank you.

So I guess I would say—and I am going to ask Ambassador Shear and Ms. Miller to respond—that I find that list, while certainly important—to me, one of the most pivotal decisions that has affected in recent time our relations throughout this region was the, to me, catastrophic decision to renounce our own negotiated trade agreement, the TPP, which would have undergirded 40 percent of the world's economic trade and would have anchored these countries in a relationship with the United States.

By renouncing it, we basically left them to the tender, loving mercies of China, which quickly filled the vacuum. And I think that is one of the most consequential decisions of the previous President, which is going to have huge ramifications going forward.

Ambassador Shear, your reaction and your analysis of the fallout from the renouncement of our own treaty, the TPP?

Ambassador Shear, you are muted.

Ambassador Shear, we can't hear you. And you need to——

Mr. SHEAR. Thank you, Congressman.

Mr. CONNOLLY. Ambassador Shear, you need to speak up.

Mr. SHEAR. Thank you, Congressman. Can you hear me now?

Mr. CONNOLLY. Yes.

Mr. SHEAR. I agree that withdrawal from the TPP was a mistake. As I said in my Statement, I think it was a blunder. I can say that with great confidence, I think, from the strategic perspective. I am not an economist, but I know that the strategic argu-

ment had great appeal to the Southeast Asians. It had great appeal particularly to the Vietnamese.

I made the strategic argument to the Vietnamese when I was Ambassador as they were considering whether or not they would join the TPP. I think it had a decisive effect on the Vietnamese decision to join the TPP, in addition to all of the economic benefits that they would reap from the agreement.

So, when we pulled out of the TPP, the Vietnamese felt like they had had the rug pulled out from under them. And they made that pretty clear to me, who had borne so much responsibility for getting them in in the first place.

Mr. CONNOLLY. And Ms. Miller?

Ms. MILLER. Thank you, Congressman Connolly.

I agree with everything that Ambassador Shear said. I think, particularly in the case of Vietnam, a fair amount of political capital was expended domestically to come up to the standards of the TPP agreement, particularly on labor, and the U.S. withdrawal was seen as a real blow.

Malaysia has also not yet ratified CPTPP. I think the withdrawal of the United States was also something that caused them to re-evaluate their participation, and also the commitment of the United States in the trade arena.

So, just very briefly, I think that is one of the obstacles that we would have to getting back in. First is getting our domestic house in order and building political will here. But, second, you know, we would have some challenges, I think, in convincing our partners in the region that we are serious, if and when we decide to return to the table.

Mr. CONNOLLY. Mr. Sobolik, I know you want to comment.

Mr. SOBOLIK. Congressman Connolly, thank you so much.

I echo the sentiments and concerns of Ambassador Shear and Ms. Miller. I think it was a sad message that we sent to our friends, allies, and partners, who, as my colleagues have said, put a lot on the line to get an agreement of that magnitude to the level that it reached. And then to pull out when we did did not send a good message at all, strategically.

Mr. CONNOLLY. And do you think it is fair, Mr. Sobolik, to say the Chinese have been able to exploit the vacuum we created by that renouncement?

Mr. SOBOLIK. They have certainly tried, and I think that they have had some success in trying. China has proven itself to be very adept at stepping in when we shoot ourselves in the foot, particularly in Southeast Asia, and they have certainly done it here.

Mr. CONNOLLY. Thank you.

I yield back.

Mr. BERA. Thank you.

Let me now recognize the gentlelady from California, Congresswoman Kim.

Mrs. KIM OF CALIFORNIA. Thank you, Chairman Bera, and I also would like to thank our Ranking Member Chabot.

And thank you, our witnesses, for joining us today.

You know, given the rising challenges and threats posed by competition with the People's Republic of China and our shift toward prioritizing focus on the Indo-Pacific, our relationships with the na-

tions of Southeast Asia are crucial toward securing regional stability and economic prosperity.

And, to that end, I appreciate the witnesses' comments that it is a strategic benefit to the United States to trade with Asian partners and strengthen security alliance and assurance to our partners by easing their trade reliance on PRC. I couldn't agree more. The U.S. should seek to strengthen its bilateral and multilateral trade relationships with Southeast Asian nations to pave the way for future regional cooperation.

Furthermore, I believe our country must revisit the CPTPP trade agreement and opportunities for the U.S. to rejoin the framework, which passed Administrations both Republican and Democrat-led in negotiating.

So let me pose the question to Mr. Sobolik. Would you advocate an effort for the United States to rejoin or join CPTPP? And how should we view China's request to join the agreement versus Taiwan's?

And, further—let me just throw it all in here—could you please compare and contrast the benefits of a potential digital trade agreement to U.S. involvement in this CPTPP? And to what extent would such an agreement be enforceable and easier to accomplish than a more comprehensive trade agreement such as CPTPP?

Mr. SOBOLIK. Representative Kim, thank you so much for those highly important questions.

First off, I will preface with saying I am not a practicing economist, but, strategically, I think there would have been immense value to join what was then TPP. It alleviated—or could have alleviated one of the greatest strategic challenges that ASEAN and its member States had, and, strategically, it was quite sad that we walked away from the agreement.

Again, purely on strategic merits, I think that there is a lot of justification for reviewing and reassessing that decision. I am not saying that as an economist, necessarily, but, strategically, ample, ample reason to revisit.

On your question of Taiwan, yet again we are seeing Beijing box out Taipei. They have done it at the World Health Organization to great effect. They have done it at international aviation institutions. They are doing it here yet again. And this has to be one of the biggest priorities we have, to not look at Taiwan just as an East Asian problem but to recognize the overlaps that our interests with Taiwan have in Southeast Asia too.

Your question on digital, admittedly, because I am not a practicing economist, I don't want to purport to get too deep into that, but I am happy to do some research and circle back with you if that would be helpful.

Mrs. KIM OF CALIFORNIA. Sure. Thanks for your perspectives.

You know, let me next move on to our approach to human rights versus trade and security interests in Southeast Asia.

Mr. Sobolik, the question to you again: How big an obstacle are current human-rights conditions in Southeast Asia to broadening the U.S. economic and security engagement with the region? And how large a priority are human rights to current U.S. policy in Southeast Asia? And what are the implications of Burma's February 1st coup d'état for broader U.S.-Southeast Asia relations?

Mr. SOBOLIK. Representative Kim, not just a good question but an important one.

In Southeast Asia, we have to approach economic interests and human-rights concerns, both hands, simultaneously. I think the Administration is wrong to do that with China, which I see as fundamentally an adversary, but with friends and partners in Southeast Asia, I think there is a lot of room to discuss and work on both of those issues at the same time, which I think is going to be necessary.

Burma, we have to send a stronger message than we have, though good steps have been taken by the Administration. And I know Congress is considering legislation on this effort as well. We need to make it difficult for the Tatmadaw to access their dollarized accounts anywhere with banks in the world. We have to get tougher on sanctions, and we have to do it fast.

Mrs. KIM OF CALIFORNIA. Thank you.

Oops. I am running out of time, so I will yield back.

Mr. BERA. Thank you.

Let me now recognize the gentlelady from Virginia, Congresswoman Spanberger, for 5 minutes.

Ms. SPANBERGER. Thank you very much, Mr. Chair.

I really appreciate our witnesses' being with us here today.

And, Ambassador Shear, I would like to focus my questions toward you at first, you know, recognizing that to realize so many of the opportunities that we have talked about today, to build the resilience against the challenges we face, whether from foreign countries or threats like climate change, we, the United States, need a strong American diplomatic presence in Southeast Asia. And, in addition to speaking local languages and really understanding local culture, it is also very important for our diplomats to have the right tools.

So, Mr. Ambassador, I want to first thank you for your service in our diplomatic corps. And I would like to open the question up with, how do you think the State Department should or could or ought to update and/or bolster the Department's capacities and capabilities in Southeast Asia, particularly given some of the challenges that my colleagues have discussed with you all, the challenges and the opportunities that exist at this day and age?

Mr. SHEAR. Thank you very much, Congresswoman Spanberger. And, as a retired Foreign Service officer, I agree that that is a very topical and important question.

First of all, as I Stated in my Statement, we need to get our Ambassadors out there. Ambassadors are the people on the ground who are in the best place to identify opportunities and to cooperate with like-minded partner and allied embassies in pursuing those opportunities. I did that as Ambassador with Vietnam, particularly with the Australian and Japanese embassies, well before the overall trilateral relationship among us started to develop, well before we revived the Quad.

So Ambassadors are critical in getting us to identify the opportunities and coordinating interagency as well. It is much easier to coordinate the interagency in an embassy than it is in Washington. So I think Ambassadors can be very agile, and they need to be encouraged to do so by the State Department.

Second—

Ms. SPANBERGER. Mr. Ambassador, if I could just interrupt you right there. So I am a former CIA case officer, so I am very familiar with what you mean by “the interagency.” Could you just give a little bit of an explanation in terms of, particularly given the challenges that exist in Southeast Asia, the real value of having all the folks at the embassy, who they are, the color and the flavor, why that matters so much, to have the Ambassador leading those discussions?

Mr. SHEAR. Because the Ambassador is the representative of—the personal representative of the President in that country, and the Ambassador is really the best person to do what is necessary to encourage separate agencies housed in the embassy to work together to cooperate, to do what we need to do to come together as a country team and get done what we need to get done.

And I think that we did that in getting the Vietnamese to—when I was in Vietnam, getting the Vietnamese to agree to join TPP talks. We did it in encouraging the Vietnamese to expand military-to-military cooperation. And we did it with the Vietnamese in conjunction with AID and our CDC office in Hanoi to increase Vietnamese capability to respond to pandemics, for example—in my case, H5N1.

But all of these are—and pursue commercial opportunities as well. We did that with GE. We did it with Boeing. We did it with Dow Chemical.

All of those require whole-of-embassy efforts, and, as I say, it is a lot easier to coordinate in an embassy than it is in Washington.

Ms. SPANBERGER. Sure.

Mr. SHEAR. It is a lot easier to take initiatives as well.

Ms. SPANBERGER. And you have served at the Department of Defense as well. And I think, arguably, the U.S. military has a stronger track record for really investing and training its personnel. And, certainly, that also—Congress is involved in those decisionmakings as they relate to funding.

But, I think, what would be your comments related to, if the Department were more consistently able to invest in the training of its foreign and civil service officers, how would that better enable stronger diplomatic engagement in regions across the world but particularly in Southeast Asia?

Mr. SHEAR. The Department has minimal training opportunities for midlevel and senior officers, and they need to be expanded.

Foreign Service officers get most of their training on the job. Fortunately, there are dedicated, strong officers in the Foreign Service who are willing to mentor younger officers, but that is not—that is significant, but it is not sufficient.

The State Department needs to establish a training—it needs to expand the number of personnel so that it can train people more effectively. And they need to do it not only in terms of language and area studies; they need to do it in terms of strategy. They need to give Foreign Service officers a good, strong background in American diplomatic history. We have a great tradition of diplomacy in this country, and our Foreign Service officers need to be more aware of it.

Finally, I think we need—and this is a prominent issue—we need to strengthen diversity in the State Department. In Southeast Asia, we need to show our best face to the Southeast Asians, and that has to be a diverse mix.

Ms. SPANBERGER. Thank you very much, Ambassador Shear.

And, Mr. Chairman, thank you for letting me run over with my time. I yield back. Thank you so much.

Mr. BERA. Thank you.

Let me now recognize the gentlelady from North Carolina, Congresswoman Manning, for 5 minutes.

Ms. MANNING. Thank you, Chairman Bera and Ranking Member Chabot, for holding this very important hearing.

And thank you to all of our witnesses for appearing today.

Clearly, Southeast Asia is critically important for the United States in light of the intense competition we are seeing with China.

I want to go back to a topic that we have been discussing at great length, and that is the terrible blunder that it was for the Trump Administration to walk away from the TPP.

And I wonder, Ambassador Shear, if you could talk to us about whether you think the admission of China—because we have talked about their application. Would the admission of China to the CPTPP weaken the ability of the CPTPP to accomplish many of the things that we were hoping to accomplish when the Obama Administration worked so hard to create the TPP?

Ambassador Shear?

Mr. SHEAR. Sorry, Congresswoman, you broke up on me a little, but I understand your question to be related to our rejoining of the TPP and the awkwardness the Chinese bid for membership in that has caused us.

My sense is that Chinese application for membership in the TPP has placed particularly the Japanese in a tough spot. And my guess is that, given the likely lack of consensus within the TPP itself on Chinese membership, that the Japanese will delay a decision on that. That should give us a window of opportunity for trying to restore the prestige and the authority we have lost on this process and consider rejoining the TPP.

Ms. MANNING. Great. Thank you.

I want to ask about a different area. And, Ambassador Shear, this is for you also. I hope you can still hear me.

Many countries in the region, including Indonesia and the Philippines, have faced significant challenges from the spread of religious extremism and terrorism. What level of threat to the region and to the United States does this constitute? And how is the United States cooperating with our partners to reduce extremism in Southeast Asia and any attendant risk?

Mr. SHEAR. Well, I think terrorism continues to represent a serious threat throughout Southeast Asia, particularly in the Philippines, Indonesia, Singapore, and Malaysia. We have established strong cooperative relationships with each of these countries, both within the intelligence community and with DOD and the State Department. And I am sure that, even as our strategic priorities shift, that we will continue close cooperation on counterterrorism with these countries.

I was in Kuala Lumpur from 2005 to 2008, and I have to say that the two closest elements of our relationship with Malaysia were the trade relationship and the counterterror relationship. So I am confident we can carry through.

And, of course, we have had a presence in the Philippines conducting counterterror operations in the past, and I think that has strongly enhanced our say in Manila on the need to preserve this relationship, not only in terms of counterterrorism but across the board, particularly in defense relations.

Ms. MANNING. Thank you.

Ms. Miller, I want to talk a little bit about the supply chain issue. Actually, I want to talk about the companies that are moving out of China due to trade instability, sanctions, or other geopolitical concerns.

How have our partners in Southeast Asia benefited from this development? And what can we in the United States do to encourage more companies and industries to move out of China to some of the other countries we have been talking about?

Ms. MILLER. Thank you very much, Representative Manning, for your question.

Southeast Asian countries have benefited from supply chain shifts, some countries more than others. Vietnam, Malaysia, the Philippines, and, to a certain degree, Indonesia have become attractive destinations.

All of these countries, to varying degrees, face challenges in building out their infrastructure to absorb some of the additional investment from U.S. companies, in building human capacity, and in strengthening their overall supply chain security measures to be fully integrated with the global economy.

I think one of the ways that we could help with this is by re-engaging, as we have been discussing, on CPTPP and helping to build strong business environments that provide good market access for U.S. companies and strong legal and investment frameworks.

And we can also work with our partners in the region to engage them in some of the important conversations the Biden Administration is having about overall supply chain security in light of, in particular, some of the shocks to the system from COVID-19 as well as China's rise.

Ms. MANNING. Thanks so much.

And, Mr. Chairman, I yield back.

Mr. CHABOT. Mr. Chairman?

Mr. BERA. Yes?

Mr. CHABOT. Yes, it is Mr. Chabot. As the ranking member of the committee, I just want to clarify for the record, the previous questioner accurately stated that President Trump pulled out of TPP, but I would note for the record that both candidate Trump and candidate Hillary Clinton both said that is what they would have done if they won. Trump won. Hillary did not. So he pulled out. She would have done the same thing, according to her own Statement, just to set the record straight.

I yield back.

Mr. BERA. Thank you, Mr. Chabot.

And I really do want to—let me take a moment to make a closing Statement. I certainly will give the ranking member a chance to make a closing Statement.

I want to thank the witnesses for emphasizing the importance of Southeast Asia, the importance of ASEAN. Some of the leading countries are Indonesia, the Philippines, Vietnam, obviously Singapore. And we really do have some opportunities coming up with the ASEAN Summit this fall. I think the Administration can show leadership as they engage.

And I think Congress has a real role here. I think one of the witnesses talked about the importance of Members traveling to the region. One of my last trips pre-pandemic was leading a codel to Singapore, Malaysia, and the Philippines. We had a chance to visit some of our special operators there. And, really, many of these countries, Malaysia in particular, rarely get codels, and the access we got from this young, struggling democracy, it is incredibly important.

So it is my hope, as chair, hopefully sooner than later, to lead a codel to the region, to Indonesia, to Vietnam, and elsewhere in the region. Because, again, I think it is important at this particular moment in time for us to emphasize that the United States sees ASEAN, sees the region as just not a pawn in a power competition but as a real area of opportunity for growth and engagement.

So, with that, again, I want to thank the witnesses who are, you know, emphasizing the region. And let me give the ranking member a moment to make any closing Statements.

Mr. CHABOT. Thank you, Mr. Chairman. I will be brief.

Going forward, getting our partnership with Southeast Asia right is going to be absolutely critical. Southeast Asia and the Indo-Pacific as a whole, really, are only going to grow in importance over the next generation, both in their own right—it has over half the world's population there, as we know—and because China, obviously, is located there, our chief geopolitical competitor into the foreseeable future.

With that in mind, I think this has been a very good hearing. I thought all three of the panelists were excellent and did a great job in answering our questions. And I think the discussion that we had shows that Congress, or at least this subcommittee, really does care about and is truly invested in our relationship with Southeast Asia.

And that is important, because, as we seek to convince the region that America is a reliable and lasting partner—and that is particularly challenging in the wake of Afghanistan, which was, I think, a blunder of epic proportions—that it is substantive engagement like we have seen today that is going to really demonstrate that we mean what we say.

So, Mr. Chairman, thank you for holding this hearing, and thank you to all three of our panelists, who, as I said, I thought did an excellent job. And I yield back.

Mr. BERA. Thank you.

And, again, I want to thank our witnesses for participating in this very important virtual hearing.

With that, this hearing is adjourned and you have a virtual gavel banging down. So thank you, everyone.

[Whereupon, at 12:03 p.m., the subcommittee was adjourned.]

APPENDIX

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation

Ami Bera (D-CA), Chair

September 27, 2021

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held virtually by the Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation via Cisco WebEx (and available by live webcast on the Committee website at <https://foreignaffairs.house.gov/>):

DATE: Tuesday, September 28, 2021

TIME: 10:00 a.m., EDT

SUBJECT: Strengthening U.S. Ties with Southeast Asia

WITNESS: The Honorable David B. Shear
Adjunct Professor
Johns Hopkins School of Advanced International Studies
(Former U.S. Ambassador to Vietnam and Assistant Secretary of Defense for Asian and Pacific Security Affairs)

Ms. Meredith Miller
Former Deputy Director, Office of Economic Policy
Bureau of East Asian and Pacific Affairs
U.S. Department of State

Mr. Michael Sobolik
Fellow in Indo-Pacific Studies
American Foreign Policy Council

By Direction of the Chair

To fill out this form online: Either use the tab key to travel through each field or mouse click each line or within blue box. Type in information.

COMMITTEE ON FOREIGN AFFAIRS

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MINUTES OF SUBCOMMITTEE ON Asia, the Pacific, Central Asia, and Nonproliferation HEARING

Day Tuesday Date September 28, 2021 Room Cisco WebEx

Starting Time 10:09 am Ending Time 12:03 pm

Recesses 0 (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Chairman Ami Bera

Check all of the following that apply:

Open Session ☒

Executive (closed) Session ☐

Televised ☒

Electronically Recorded (taped) ☒

Stenographic Record ☒

To select a box, mouse click it, or tab to it and use the enter key to select. Another click on the same box will deselect it.

TITLE OF HEARING:

Strengthening U.S. Ties with Southeast Asia

SUBCOMMITTEE MEMBERS PRESENT:

Chairman Bera, Ranking Member Chabot, Rep. Sherman, Titus, Levin, Houlahan, A.Kim, Connolly, Spanberger, Manning, Perry, Wagner, Buck, Green, Barr, Y.Kim

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

QFR - Houlahan

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED 12:03 pm

Clear Form

Note: If listing additional witnesses not included on hearing notice, be sure to include title, agency, etc.

Ami Bera
Subcommittee Staff Associate

WHEN COMPLETED: Please print for subcommittee staff director's signature and make at least one copy of the signed form. A signed copy is to be included with the hearing/markup transcript when ready for printing along with a copy of the final meeting notice (both will go into the appendix). The signed original, with a copy of the final meeting notice attached, goes to full committee. An electronic copy of this PDF file may be saved to your hearing folder, if desired.

HOUSE COMMITTEE ON FOREIGN AFFAIRS

SUBCOMMITTEE ON ASIA, THE PACIFIC, CENTRAL ASIA, AND NONPROLIFERATION

ATTENDANCE

| <i>PRESENT</i> | <i>MEMBER</i> |
|----------------|------------------------|
| X | Ami Bera, CA |
| X | Brad Sherman, CA |
| X | Dina Titus, NV |
| X | Andy Levin, MI |
| X | Chrissy Houlahan, PA |
| X | Andy Kim, NJ |
| X | Gerald E. Connolly, VA |
| | Ted Lieu, CA |
| X | Abigail Spanberger, VA |
| X | Kathy Manning, NC |

| <i>PRESENT</i> | <i>MEMBER</i> |
|----------------|------------------|
| X | Steve Chabot, OH |
| X | Scott Perry, PA |
| X | Ann Wagner, MO |
| X | Ken Buck, CO |
| | Tim Burchett, TN |
| X | Mark Green, TN |
| X | Andy Barr, KY |
| X | Young Kim, CA |

RESPONSES TO QUESTIONS SUBMITTED FOR THE RECORD

Questions for the Record from Representative Chrissy Houlahan
House Foreign Affairs Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation
“Strengthening U.S. Ties in Southeast Asia”
September 28, 2021

Question:

“In your view, what type of arrangements could the United States pursue with economies in Southeast Asia to facilitate bilateral and multilateral cooperation in areas such as industry engagement, research and development, and information sharing?”

Answer:

Ms. Miller: First, the United States should bolster existing platforms to strengthen our bilateral and multilateral cooperation on industry engagement, research and development, and information sharing, including fully implementing our existing commitments. Congress has an important role to play in this regard, including by working with the Administration to fill high-level vacancies in the diplomatic corps and by providing appropriate resources and oversight.

Our companies’ investments, commercial contributions, and close relationships are a strong asset for the United States. Opportunities for increased dialogue and collaboration between the public and private sector, particularly in the areas highlighted above, should be further developed. Congress should consider new investments in the U.S. diplomatic corps, US-ASEAN Connect and other programs to build capacity in the economic arena, including to develop and implement new programs on shared economic interests and deploy stronger public communication strategies around these initiatives. For example, U.S.-ASEAN Connect, launched in 2016, has a mandate to provide a platform for integrating U.S. government and private sector resources and expertise to strengthen economic engagement in the region, but is limited by resource constraints and high-level policymaker attention.

The Biden administration should also continue its progress in strengthening U.S. participation in multilateralism in Southeast Asia, including by participating in the East Asia Summit, U.S.-ASEAN Summit and APEC Leaders meetings. In the year ahead, the U.S. should continue to pursue hosting APEC in 2023 and should work closely with Indonesia on its 2022 chairmanship of the G20 and Thailand on its 2022 chairmanship of APEC. APEC has long enjoyed bipartisan support and is a useful forum for members to address shared economic and global challenges. Beneficially, APEC also includes a number of well-developed industry dialogues and initiatives, providing a strong venue for public-private sector collaborations.

After meeting with ASEAN Leaders in October President Biden [unveiled](#) a host of proposed U.S.-ASEAN programs that address the specific goals mentioned above and require Congressional support. These include:

- U.S.-ASEAN Health Futures Initiative (\$40 million):
 - The United States pledged to provide up to \$40 million in new efforts to accelerate joint research, strengthen health system capacity, and develop the next generation of human capital in health through the U.S.-ASEAN Health Futures initiative. Examples include providing grants for emerging infectious disease research in ASEAN between U.S. scientists and early-career scientists in Southeast Asia.
- U.S.-ASEAN Climate Futures Initiative (\$20.5 million):
 - This includes launching the U.S.-ASEAN Climate Action Program to support ASEAN’s environment and sustainable development through climate change research, coordination, and innovation and support for implementing Nationally Determined Contributions (NDCs).

- U.S.-ASEAN Economic Futures initiative (\$20 million):
 - This includes launching the U.S.-ASEAN Science and Technology Innovation Cooperation Program (STIC) to support innovative projects, support the digital economy, and facilitate connections between public and private laboratories, academia, policy makers, industries, and business associations in the United States and ASEAN.

The United States can also further develop the Lower Mekong Initiative (LMI), a multinational partnership among Cambodia, Laos, Myanmar, Thailand, Vietnam, and the United States to develop shared responses to transboundary challenges across six pillars (Agriculture and Food Security, Connectivity, Education, Energy Security, Environment and Water, and Health) and in cross-cutting areas such as gender issues. LMI was absorbed into the new [“Mekong-U.S. Partnership”](#) in September 2020 and now includes fourteen U.S. government agencies and departments with over 50 programs to strengthen cooperation to address shared interests and common challenges. The Mekong-U.S. Partnership includes cooperation on economic connectivity, energy and climate security, human capital development, transboundary water and natural resources management, and non-traditional security.

Beyond these programs, USAID administers a number of programs that specifically seek to engage industry (both local and U.S. companies), conduct joint R&D, and to deepen information sharing between the public and private sector.

Question:

“How do you see Vietnam’s economic role in Asia? How is Vietnam currently positioned in supply chains vis-à-vis the United States and China? What options do you see to help Vietnam move up the value chain and to diversify to not be so dependent on China? How do you see opportunities in specific areas such as consumer electronics, raw materials and raw materials/industrial intermediate processing for strategic emerging technologies, and energy?”

Answer:

Ms. Miller: Pre-Covid-19, Vietnam consistently posted high growth rates of over six percent annually since 2000, with seven percent GDP growth in 2019. Growth has been driven by favorable demographics as well as strong interest from foreign direct investors. Vietnam’s success in attracting FDI has been underpinned by its strategic positioning as a low-cost and low-risk alternative for China-based manufacturing. Foreign direct investment in Vietnam rose to US\$38 billion in 2019, hitting a ten-year high and constituting a year-on-year increase of 7.2 percent. The disbursement of FDI capital also saw a yearly increase of 7 percent to US\$20.38 [billion](#). Most of this FDI went into manufacturing and processing, while other important industries include finance, banking, and insurance. As of September 20, 2021, Vietnam attracted over US\$22.15 billion in FDI commitments, an increase of 4.4 percent year on year. Of the total, foreign investors registered over 1,200 fresh projects with total registered capital of \$12.5 billion, up 27.6 percent in value against the same period of last year.

Impressive and steady growth rates have made Vietnam a reference for regional peers looking to benchmark their own success in attracting FDI. Vietnam has also enjoyed a growing role in regional and global supply chains due in part to the country’s proactive trade diplomacy. Vietnam has emerged as one of ASEAN’s strongest proponents of free trade agreements and has joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), completed a free trade agreement (FTA) with the European Union and ratified the Regional Comprehensive Economic Partnership (RCEP), the world’s largest regional FTA which will come into effect January 2022. Bilaterally, Vietnam has also been very active in negotiating agreements, including with the United Kingdom earlier this year.

As a result of these trends, Vietnam plays an important role in Asia's economy and is an increasingly competitive destination for supply chain relocation, but faces constraints including an aging workforce, business environment concerns as well as a relatively smaller size compared to neighboring China and Indonesia. That said, Vietnam is poised to exert greater influence in ASEAN by way of example, as its neighbors look for models to increase their own success in attracting FDI and bolstering growth rates.

While Vietnam has benefited from supply chain shifts from China it relies economically on both the U.S. and China. Nearly twenty percent of Vietnam's exports are to the United States, and thirty-seven percent of its imports come from China. Significantly, Vietnam's trade deficit with China has continued to climb and it depends on Chinese products for many materials and intermediate goods. At the same time, U.S.-China trade tensions have driven new investment in Vietnam's manufacturing sector, including for exports to the United States. While Vietnam's integration in global supply chains continues to be largely through labor intensive assembly like textiles, the country has attracted increasing investments in the electronics manufacturing sector since 2000, which have accelerated in the context of U.S.-China tensions and the global pandemic. Large manufacturers including Samsung, LG, Foxconn, Jabil Circuit, Intel, and Microsoft have set up major operations within the country. According to one World Bank study, Samsung alone employed 75,000 people in Vietnam in 2015 with over \$12 billion invested in electronics factories.

Vietnam has sought to decrease its trade deficit with China primarily through a diversification strategy, including negotiating and acceding to new regional trading arrangements like RCEP and CPTPP while actively pursuing bilateral arrangements. Thus far, this strategy has yielded economic benefits to Vietnam as discussed above, but Vietnam's bilateral trade deficit with China has continued to rise. Given China's close proximity to Vietnam and economies of scale, Chinese products are frequently the most convenient and lowest expense option.

In order to move up the value chain, Vietnam faces a number of challenges, including the need to develop stronger human capital. The U.S. can support this effort particularly through initiatives in the educational sector, including providing vocational training. This is also an area that is potentially ripe for deeper public-private sector collaboration. In 2018, the World Bank issued a comprehensive assessment of Vietnam's role in global supply chains and sectoral recommendations for how the country can move up the value chain ([Vietnam at a Crossroads, next generation of global value chains - the World Bank](#)). In the current geopolitical context and as Vietnam further develops its ecosystem for electronics and electronics manufacturing it is well positioned to attract further investment and move towards higher- end manufacturing.

Question:

"What is China's current role in Vietnam's hard and soft infrastructure? In what areas are Chinese firms active? To what extent are Chinese firms building particular areas of economic control and influence? What options do you see to work with other countries to allow greater participation of other countries and their firms? Non-China firms with a significant economic presence in Vietnam appear to be from Japan, South Korea, Taiwan, Europe and the United States. Is there a role for collaboration among industry and for concerned governments to try to diversify or shift supply chains that would advance U.S. interests? What are the areas of opportunity that you would recommend? Are there any particular constraints or concerns as well?"

Answer:

Ms. Miller: Vietnam is rapidly building out its infrastructure and has significant needs for financing. The Ministry of Planning and Investment estimated that the country will need approximately US\$480 billion in infrastructure investment from 2017 to 2030. Despite this pressing need, the government has been relatively skeptical of taking on Belt and Road [Projects](#), due to long-standing historical rivalries with China and outstanding territorial disputes. For that reason, while China has led several important infrastructure projects and Chinese investment has increased in recent years, driven by relatively cheaper labor costs in Vietnam, other Asian investors such as Japan, South Korea and Singapore are significant players. Singapore, South Korea, and Japan were the leading investors in Vietnam. In 2021, Vietnam's major export partners reportedly include the US, China, the EU, ASEAN, and South Korea. China continued to lead top import partners followed by South Korea, ASEAN, Japan, and the EU.

According to AEI's China infrastructure investment tracker, China has undertaken 38 construction projects in Vietnam from 2005-2020 with a total price tag of \$21.46 billion. China's construction contracts in Vietnam are dominated by energy (\$13.93 billion from 2005 – 2021) metals (\$3.19 billion) and transport (\$2.42 billion). China's biggest infrastructure project in Vietnam is the Cat Linh-Ha Dong urban railway project in Hanoi. The project began in 2011, but was delayed for more than seven years and cost double the expected initial [price](#). Other high profile projects undertaken by Chinese firms include the \$69 million My Dinh National stadium in Hanoi; a \$360 million steel complex expansion in Thai Nguyen province; a \$264 million iron and steel mill in Lao Cai Province; a \$1.4 billion bauxite- alumina project in the central highland; waste-treatment and energy-related projects; and a number of textile [factories](#).

Given the historical tensions between Vietnam and China and outstanding territorial disputes, Vietnamese policymakers closely scrutinize the economic relationship between the two country and are also wary of inciting nationalistic sentiments in Vietnam against China with too much high-profile Chinese investment. For that reason, Vietnam has long embraced a strategy of economic diversification, which is a major driver behind its pursuit of FTA with a wide range of partners.

Vietnam has also assumed increasing prominence in the supply chain diversification strategies of major multi-national companies seeking to promote resilience in the context of the global pandemic and U.S.-China tensions. Some governments, for example Japan, have also offered incentives to their companies to diversify their operations in China to include Vietnam, Myanmar, and other Southeast Asian countries. For example, in March 2020, Prime Minister Shinzo Abe announced a Japanese government fund of \$2.2 billion set aside in its coronavirus recovery package to subsidize companies shifting production back to Japan or diversifying away from China. In 2020, the Japanese government announced that 57 companies would receive a total of \$535 million to open factories in Japan and 30 companies would be supported to expand their production in Vietnam, Myanmar, Thailand, and other ASEAN member states. As of August 2021, 37 Japanese companies were reportedly applying to the program for Vietnam y out of a total of 81 enterprises participating.

The U.S. should work closely with partners like Japan, Taiwan, and South Korea to help Vietnam continue to improve its infrastructure and labor force in order to continue to build capacity to absorb more high-end manufacturing. Importantly, the U.S. should reconsider joining CPTPP, which would deepen our economic engagement in the region, including with Vietnam. Closer economic cooperation is highly desired by Vietnamese government officials hoping to diversify trade dependence on China. As the largest consumer market in the world and historical leader of the global

trading system, the United States plays an integral role.

Question:

“What are Vietnam’s interests and concerns in its economic relations with China? What is Vietnam’s approach to economic cooperation and competition with China? Are there areas where U.S. and Vietnam interests converge that could be developed or expanded? If so, what are these areas and how would you advise the United States to approach them?”

Answer:

Ms. Miller: China is arguably Vietnam’s top geo-political consideration. Vietnam’s economic relationship with China is as an important component of Hanoi’s strategy to maintain the country’s strategic autonomy, territory, and upwards economic growth trajectory. China is a significantly larger economic and military power, an important partner as a fellow Communist government and the two countries share a land border 806 miles, necessitating close cooperation. Vietnam and China have also clashed repeatedly over contested territorial claims in the South China Sea and Paracel islands, inflaming nationalist sentiments on both sides.

At the same time, Vietnam and China are closely economically integrated. Vietnam is reliant on many Chinese imports and China is an important market for Vietnamese goods. Vietnam seeks to continue to benefit economically from its proximity to China while mitigating Beijing’s ability to use economic ties as a pressure point. In this context, Vietnam is concerned about its growing trade deficit with China, which has increased more than 150-fold since 2001 from \$211 million to \$34 billion in 2019 and reliance on particular inputs for its own global exports. Vietnam is [particularly](#) dependent on China for intermediate goods and capital goods (machinery, equipment, vehicles, and tools used to make finished goods). In 2019, Vietnam imported \$35.73 billion of capital goods and \$26.60 billion of intermediate goods from China and 21.45 percent of Vietnamese exports went to China. Critically, 41.51 percent of Vietnam’s imports of electronic machinery and equipment came from China.

Vietnam’s top leadership in the Communist Party has stressed the importance of reducing economic dependence on one country (China) in several official documents. [At](#) the 12th National Party Congress in 2016, the political report called for Vietnam to “continue to research, negotiate, sign, and carefully prepare conditions for the implementation of new generation free trade agreements,” and “avoid dependence on any particular market or partner.” Importantly, U.S. and Vietnam interests converge on this point. It is in the interests of the United States to support Vietnam in maintaining its strategic autonomy through diversified and resilient economic relationships. The U.S. is Vietnam’s second largest economic partner after China and an increasingly important source of investment. Strengthening economic relations between our two countries is a shared area of geo-political interest. Proactive steps should include:

- Charting a path for joining CPTPP. As I noted in my testimony, this will be a complicated and challenging process both domestically in securing support from key stakeholders and with the CPTPP members. However, for the U.S. there is no substitute for CPTPP in terms of its strategic significance, and economic benefits, including safeguarding the competitive position of our companies in critical markets like Vietnam, and as a forum for addressing trade concerns. Furthermore, U.S. participation in TPP was a key driver behind Vietnam’s participation and embrace of economic reforms. Bringing the U.S. back into Asia’s emerging regional economic frameworks is an important element of securing our ability to credibly counterbalance to China’s growing influence in the region into the foreseeable future. It is also an important platform for strengthening our bilateral economic relationships

- with strategic partners like Vietnam.
- Continuing to support Vietnam's pandemic recovery. Vice President Kamala Harris' visit to Vietnam included several important pledges on Covid-19 response and recovery including announcing the new Centers for Disease Control Southeast Asia regional health office in Hanoi and donating an additional one million vaccines to the country. It will also be important for the U.S. to fulfill the Quad's pledge to jointly distribute one billion doses of Covid-19 vaccines in the Indo-Pacific. Vietnam currently has one of the lowest vaccination rates in Southeast Asia and is eager for U.S. vaccines to be deployed.
 - Strengthening existing frameworks such as the U.S.- Vietnam TIFA and enhance collaboration on shared areas of interest such as clean energy and strengthening health outcomes.